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Panel on Development

Meeting on 26 January 2016

Background brief on initiatives to increase land supply

Purpose

This paper provides background information on the Administration's initiatives to increase land supply, and summarizes the views and concerns expressed by Members on the subject since the 2012-2013 legislative session.

Background

2. Between the 1970s and 1990s, the Administration has increased the area of developable land in Hong Kong by developing new towns through reclamation and land formation in the rural New Territories. According to the Administration, from 1985 to 2000, over 3 000 hectares of land have been created through reclamation. The supply of new developable land through reclamation and site formation and different types of properties has slowed down over the past decade. Over the period between 2000 and 2013, about 570 hectares of land have been reclaimed. While Hong Kong's population has increased from 6.8 million to 7.22 million between 2004 and 2013, the new completion of residential units has contracted from around 47 000 in 2004 to around 29 200 in 2013, and was as low as 19 000 in 2007¹.

3. Shortage of land supply for housing developments in the past few years has resulted in soaring property prices and a long waiting list for public rental housing ("PRH"). The Chief Executive announced on 30 August 2012 a package of 10 short- and medium-term measures (in **Appendix I**) to expedite the supply of subsidized and private housing units. In

¹ LC Paper No. CB(1)407/14-15(01)
(<http://www.legco.gov.hk/yr14-15/english/panels/dev/papers/devcb1-407-1-e.pdf>)

September 2012, the Administration appointed the Long Term Housing Strategy Steering Committee to advise the Government on the formulation of a long-term housing strategy. The Administration announced the Long Term Housing Strategy on 16 December 2014 stating that a total housing supply target of 480 000 units would be adopted for the coming 10 years (i.e. 2015-2016 to 2024-2025), comprising 290 000 public housing units and 190 000 private housing units. In December 2015, the Administration issued the Long Term Housing Strategy Annual Progress Report 2015, in which it is stated that the housing supply target for the 10-year period from 2016-2017 to 2025-2026 is adjusted to 460 000, comprising 280 000 public housing units and 180 000 private housing units².

4. As regards land resources for economic development, it was stated in the 2013 Policy Address that the Administration would supply more commercial land and facilities to facilitate the further development of different economic activities in Hong Kong³.

Initiatives to increase land supply

5. At a briefing to the Panel on Development ("DEV Panel") on the relevant policy initiatives in the 2013 Policy Address on 22 January 2013, the Administration elaborated on its multi-pronged strategy to increase land supply in the short, medium and long term. DEV Panel received the Administration's progress updates on the initiatives under the strategy at the meetings on 29 January 2014 and 27 January 2015⁴. The initiatives taken by the Administration to increase land supply as well as the measures to streamline the various processes involved in land administration, as provided in the Administration's paper on "increasing land supply" submitted to DEV Panel in January 2015⁵, are set out in **Appendix II**.

² LC Paper No. CB(1)335/15-16(01)
(<http://www.legco.gov.hk/yr15-16/english/panels/hg/papers/hgcb1-335-1-e.pdf>)

³ The 2013 Policy Address announced that the Administration would address the shortage of commercial land supply in a holistic, innovative and decisive manner, and the bureaux concerned, including the Development Bureau, the Financial Services and the Treasury Bureau and the Transport and Housing Bureau would take forward and co-ordinate the initiatives to convert government office buildings and "Government, Institution or Community" sites in Central and Wan Chai to commercial use, and to accelerate the development of the North Commercial District on the airport island.

⁴ The meeting on 29 January 2014 is a joint meeting of the Panel on Development and the Panel on Housing.

⁵ LC Paper No. CB(1)407/14-15(01)
(<http://www.legco.gov.hk/yr14-15/english/panels/dev/papers/devcb1-407-1-e.pdf>)

Short-to-medium term land supply initiatives

6. The short-to-medium term measures adopted by the Administration to increase land supply mainly include allowing the development intensity of developable land to be increased; conducting land use reviews over the whole territory on the government land currently vacant, under short-term tenancies or different short-term or "Government, Institution or Community" uses, as well as green belt sites; and facilitating/expediting development/redevelopment on existing land.

Allowing the development intensity of developable land to be increased and conducting land use reviews

7. As reported in the 2014 Policy Address, some 150 potential housing sites had been identified under the Administration's land use reviews⁶. The Administration aimed to make most of these sites available for housing development in the five years from 2014-2015 to 2018-2019 for providing over 210 000 flats, with over 70% for public housing. It was mentioned in the same Policy Address that the Pok Fu Lam Moratorium to the south of Pok Fu Lam, i.e. the area close to Wah Fu Estate, be partially uplifted to provide new public housing developments and facilitate the Wah Fu Estate redevelopment. In addition, except for the north of Hong Kong Island and Kowloon Peninsula which were more densely populated, the maximum domestic plot ratios that could be allowed for housing sites located in the other density zones of the main urban areas and new towns would be raised generally by about 20% as appropriate and where permitted in planning terms.

8. When discussing the land supply initiatives at the relevant DEV Panel meetings in January 2014, some members cast doubt on whether the Administration could achieve the target of providing 210 000 residential units in five years by rezoning the about 150 potential sites identified, taking into account possible dissenting views in the districts. They stressed that, in the process of increasing housing land supply, the Administration had to strike a balance between providing housing and community facilities in the district and addressing local residents' concerns, in particular those about traffic and environmental impacts. There were also views that the proposal to increase plot ratios for housing sites might disrupt years of efforts of Hong Kong people in reducing the permissible plot ratios for residential developments to enhance the quality of the living environment.

⁶ The geographical distribution of the some 150 sites and their estimated flat production capacity and types of housing by districts are provided at Annex D of LC Paper No. CB(1)407/14-15(01).

9. The Administration assured members that it attached great importance to the support and cooperation of the public in achieving the housing production target, and would work with various stakeholders in the community to resolve the problems related to the rezoning or development of the potential housing sites. The Development Bureau ("DEVB") together with relevant government departments had commenced consultation with individual District Councils since April 2014 and provided them with an overview of the potential housing sites requiring plan amendments in their respective districts. As regards the initiative to increase residential development intensity, the Administration advised that whether and how far the plot ratio of a site could be increased would be subject to the results of planning reviews and technical assessments to be conducted by the relevant government departments and, where applicable, necessary approval by the Town Planning Board under the statutory planning mechanism.

Facilitating/expediting development/redevelopment on existing land

10. Another major initiative of the Administration to increase land supply in the short-to-medium term was the planning for the development of the former Anderson Road Quarry ("ARQ") and Lamma Quarry, the former Diamond Hill Squatter Areas (Tai Hom Village) and the former Cha Kwo Ling Kaolin Mine. When considering the Administration's proposal on carrying out detailed design and site investigation for the site formation and associated works for the proposed development at the ARQ site, some DEV Panel members expressed concern on whether the development potential of the site would be restrained by the traffic capacity of the area concerned, hence leading to inefficient use of precious land resources. As regards the ex-Lamma Quarry, some members commented that the provision of only 700 subsidized housing units as proposed in the draft Recommended Outline Development Plan ("RODP") for the site was insignificant for solving the prevailing housing shortage problem, but the environmental impact to be made by the housing development (including private housing) at the site could be substantial. They also considered that it might not be practicable to provide Home Ownership Scheme ("HOS") units at the site given that the high ferry fare would likely be beyond the affordability of the residents.

11. The Administration advised that the development intensity (i.e. plot ratios of 3 to 6.3) of the ARQ site had been arrived at after taking into consideration the maximum traffic capacity of the road network in the area as well as the need to preserve the Tai Sheung Tok ridgeline. As regards the ex-Lamma Quarry, the proposal under the draft RODP to provide 700 HOS units had taken into account the request of Sok Kwu Wan residents that more

affordable housing units should be provided in the area. According to the views received during the relevant public consultation exercise, the public generally considered that it was not suitable for PRH to be provided in Lamma Island, given that the ferry fare might pose a huge financial burden on PRH residents. The provision of private housing units in Lamma Island would give the public a choice to live in a leisurely and rural environment.

12. Sources of housing land under the multi-pronged strategy to increase land supply include the redevelopment projects undertaken by the Urban Renewal Authority ("URA"), and railway property development projects. At the Special Finance Committee meetings to examine the Estimates of Expenditure 2014-2015 and 2015-2016, some members expressed concern about the limited number of properties along the railway that had been put up for sale in the market in the past few years, and the slow progress of some urban renewal projects, e.g. the Kwun Tong Town Centre Redevelopment Project.

13. The Administration advised that URA had taken some time to implement the urban renewal project in Kwun Tong because, apart from acquiring the properties from owners, URA had endeavoured to work out an arrangement acceptable to those affectees who were not owners of the relevant properties. As regards railway property development projects, since 2010-2011, a total of six West Rail property development projects had been successfully tendered⁷. As for the property development projects owned by the MTR Corporation Limited ("MTRCL"), the listed company had the discretion to determine how to implement its own projects. Taking into account the tight private housing land supply situation, the Administration would continue to encourage MTRCL to expedite the implementation of its projects.

Long-term land supply initiatives

14. The Administration's long term initiatives to increase land supply include undertaking projects to develop New Development Areas ("NDAs") in Kwun Tong North, Fanling North⁸, and Hung Shui Kiu ("HSK"), and the Tung

⁷ The six projects are Nam Cheong Station, Tsuen Wan West Station TW5 (Cityside), Tsuen Wan West Station TW5 (Bayside), Long Ping Station (North), Tsuen Wan West Station TW6 and Long Ping Station (South).
(Source: LC Paper No. CB(1)407/14-15(01))

⁸ The Finance Committee approved on 27 June 2014 the Administration's proposal on carrying out the detailed design and site investigation for the advance site formation and engineering infrastructure works in the Kwun Tong North New Development Area and the Fanling North New Development Area.

Chung New Town Extension⁹. Studies to review the deserted agricultural land in North District and Yuen Long (including the Planning and Engineering Study for Housing Sites in Yuen Long South) with a view to identifying more suitable sites for housing development are underway. The Administration is also planning for the development of Lantau, exploring reclamations at suitable locations outside Victoria Harbour¹⁰, as well as rock cavern and underground space developments¹¹. The Preliminary Feasibility Study on Developing the New Territories North, and the planning for residential development at Kam Tin South West Rail Kam Sheung Road Station and Pat Heung Maintenance Depot have commenced.

15. Some DEV Panel members opined that the long-term land supply measures could not address the imminent housing shortage problem because of their long implementation timeframe. They did not agree to the Administration's approach to increasing land supply through putting forward proposals which were highly controversial, e.g. reclamation, NDA projects which would affect a large number of existing residents and farmers. They held the view that the Administration should consider other land sources, including the sites granted on private recreational leases (such as the Fanling Golf Course), the site of the Chief Executive's Fanling Lodge, "brownfield sites", the land reserved for Village Type Development and military use, etc., for housing developments. Some members stressed that it was important for the Administration to formulate a territorial development strategy before getting down to planning for individual areas.

⁹ The Administration briefed the Panel on Development on the Recommended Outline Development Plan for the Hung Shui Kiu New Development Area at the meeting on 22 July 2015; and sought the Panel's support for a proposal to undertake detailed design and site investigation works for the implementation of Tung Chung New Town Extension on 22 December 2015.

¹⁰ Five possible near-shore reclamation sites (namely Sunny Bay and Siu Ho Wan in North Lantau, Lung Kwu Tan in Tuen Mun, Southwest Tsing Yi, and Ma Liu Shui in Sha Tin), and development of artificial islands in the Central Waters between Hong Kong Island and Lantau have been identified for further consideration after the completion of a two-stage public engagement exercise for Enhancing Land Supply Strategy: Reclamation outside Victoria Harbour and Rock Cavern Development in June 2013.

¹¹ The Finance Committee approved the Administration's funding proposals on carrying out feasibility studies on relocation of Diamond Hill fresh water and salt water service reservoirs, Sham Tseng and Sai Kung sewage treatment works to caverns on 11 July 2014; and a funding proposal on carrying out a pilot study on underground space development in four strategic urban areas, viz, Tsim Sha Tsui West, Causeway Bay, Happy Valley and Admiralty/Wan Chai, at the meeting on 17 April 2015.

16. The Administration agreed that a territorial development strategy was essential to land use planning. The "Hong Kong 2030 -- Planning Vision and Strategy Study" had been carried out in the 2000s' to review the territorial development strategy for Hong Kong¹². A number of land development projects, such as the implementation of NDAs in Kwu Tung North, Fanling North and HSK, were being taken forward following the recommendations of the Final Report of the Study. Apart from large-scale NDA projects, the Administration had been taking forward various area-based planning and engineering studies to release the development potential of suitable land. These potential development areas were mainly in the rural New Territories and covered a vast tract of under-utilized "brownfield sites". The relevant studies, such as the Planning and Engineering Study for Housing Sites in Yuen Long South (involving land which was currently used as open storage, warehouses and workshops), aimed to convert "brownfield sites" to other more organized, compatible and optimal uses.

17. The Administration advised that the relevant bureaux/departments were undertaking a review of the policy on private recreational leases. Concurrent with the review, the Fanling Golf Course and the Chief Executive's Fanling Lodge had been included in the Preliminary Feasibility Study on Developing the New Territories North. Although it was computed numerically that there were about 1 200 hectares of unleased and unallocated government land within "Village Type Development" land use zonings, which, after excluding roads/passageways, man-made slopes and land allocated under the Simplified Temporary Land Allocation procedures, amounted to about 933 hectares as at June 2012, such land included slopes, access, space between village houses and other areas that were normally not suitable for development. With respect to the use of military sites, the Administration explained at the DEV Panel meeting on 27 January 2015 that the British military forces stationed in Hong Kong before 1997 had returned the sites that were no longer required for defense purposes to Hong Kong for disposal before the return of Hong Kong to China. All the existing military sites in Hong Kong were needed for defense purposes and the Administration had no plan to make any changes to the use of these sites¹³.

¹² The HK2030 Study -- Planning Vision and Strategy Study, which was completed in 2007, updated the territorial development strategy for Hong Kong. In his 2015 Policy Address, the Chief Executive announced that DEVB and the Planning Department were updating the study by examining the strategies and feasible options for overall spatial planning and land and infrastructure developments for Hong Kong beyond 2030.

¹³ The Administration advised in its paper on "increasing land supply" (LC Paper No. CB(1)407/14-15(01)) that Article 13 of the Garrison Law provides that any land used by the Hong Kong Garrison for military purposes, when approved by the Central People's Government to be no longer needed for defense purposes, should be turned over without compensation to the Hong Kong Special Administrative Region Government for disposal.

18. Apart from the concerns on housing land supply, questions have been raised at meetings of the Council and its committees about the shortage of development space for economic activities, i.e. land for office, retail, hotel and logistics uses, vehicle parking facilities, etc. In reply to a question at the Council meeting of 14 October 2015 about the details of the Administration's plan to develop a core business district ("CBD") in addition to the CBD in Hong Kong Island and the alternative CBD to be developed in Kowloon East, the Secretary for Development advised that to cater for the long-term social and economic development needs of Hong Kong, it was announced in the 2014 Policy Address that the Administration would explore ways to develop the eastern waters off Lantau Island and the neighbouring areas with a view to developing an East Lantau Metropolis ("ELM"). According to the Administration, ELM might have the potential to accommodate a population of about 400 000 to 700 000 and would become the third CBD of Hong Kong promoting economic development and providing job opportunities. It was preliminarily estimated that should all the major development projects in Lantau be implemented, such as the Tung Chung New Town Extension, the North Commercial District on the airport island, the topside development at the Hong Kong Boundary Crossing Facilities Island of the Hong Kong-Zhuhai-Macao Bridge¹⁴, Siu Ho Wan reclamation, Sunny Bay reclamation¹⁵, as well as ELM¹⁶, the number of jobs in Lantau would possibly increase from the current 94 000 to around 470 000.

Recent development

19. The Administration will brief DEV Panel at its meeting scheduled for 26 January 2016 on the latest position of various land supply initiatives.

¹⁴ The Finance Committee approved the funding proposal on carrying out a planning, engineering and architectural study and the associated site investigation works for the proposed topside development at the Hong Kong boundary crossing facilities island of the Hong Kong-Zhuhai-Macao Bridge on 16 January 2015.

¹⁵ The Public Works Subcommittee passed a motion at the meeting on 26 November 2014 to adjourn the discussion on the Administration's proposal on carrying out a planning and engineering study on Sunny Bay reclamation and associated site investigation works, i.e. PWSC(2014-15)34; and the item was subsequently negated at the Subcommittee's meeting on 9 January 2015.

¹⁶ The Public Works Subcommittee considered the Administration's proposal on carrying out strategic studies to explore the feasibility of constructing artificial islands in the Central Waters including development of the East Lantau Metropolis, i.e. PWSC(2014-15)11, at relevant meetings in June, July, October and November 2014. At the meeting on 26 November, the Administration withdrew the proposal.

Relevant papers

20. A list of relevant papers with their hyperlinks is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
19 January 2016

The 10 short- and medium-term measures to expedite the supply of subsidized and private housing units announced by the Chief Executive on 30 August 2012

Short-term measures (6-12 months)

1. Expediting the putting up of the Hong Kong Housing Authority's remaining Home Ownership Scheme ("HOS") stock for sale
2. Providing the flats at Tsing Luk Street, Tsing Yi as subsidized sale flat
3. Speeding up the processing of pre-sale consent applications
4. Continuing government-initiated land sale in the quarterly land sale programme for October to December 2012
5. Converting the Chai Wan Factory Estate for Public Rental Housing ("PRH") use, and to redevelop two industrial buildings

Medium-term measures

6. Continuing the sale of the 4 000 remaining My Home Purchase Plan flats
7. Granting part of the site in the Kai Tak Development originally reserved for the "Flat-for-Flat" Scheme for HOS development
8. Rezoning an "Open Space" site without development programme in Cheung Sha Wan for PRH development
9. Converting 36 Government, Institution or Community and other government sites to residential use
10. Exploring the potential of converting industrial land/building into residential use under the town planning regime and the Buildings Ordinance

*Source: Press release issued by the Information Services Department on 30 August 2012
(<http://www.info.gov.hk/gia/general/201208/30/P201208300549.htm>)*

Initiatives to increase land supply

According to the information paper on "increasing land supply" submitted to the Panel on Development in January 2015¹⁷, the Administration has been pressing ahead with priority the various initiatives under the multi-pronged approach to increase land supply. The land supply measures include --

Short- to medium-term land supply initiatives

1. Increasing development intensity where planning terms permit
2. Land use reviews
3. Relaxing moratorium where public interest prevails
4. Development of former Diamond Hill Squatter Areas and Quarry sites
5. Urban renewal projects
6. Railway property developments

Long-term land supply initiatives

7. Kwu Tung North and Fanling North new development areas
8. Tung Chung New Town Extension
9. Hung Shui Kiu new development area
10. Deserted agricultural land in North District and Yuen Long
11. Kam Tin South Development
12. Reclamation outside Victoria Harbour

¹⁷ LC Paper No. CB(1)407/14-15(01)
(<http://www.legco.gov.hk/yr14-15/english/panels/dev/papers/devcb1-407-1-e.pdf>)

13. Rock Cavern and underground space developments
14. Developing the New Territories North
15. Development of Artificial Islands in the Central Waters including the East Lantau Metropolis
16. Lantau Development Advisory Committee

Other initiatives to increase land supply and expedite land development

17. Streamlining land administration process
18. Pilot Scheme for Arbitration on Land Premium
19. Energizing Kowloon East
20. Topside development at the Hong Kong Boundary Crossing Facilities Island of Hong Kong-Zhuhai-Macao Bridge

Initiatives to increase land supply

List of relevant papers

Date of meeting	Council/Committee	Papers/Minutes of meeting
24 October 2012	Council	An oral question (No. 2) on "developing new development areas" [Hansard , "page 544"]
9 November 2012	Panel on Development and Panel on Housing	Administration's paper on "the short to medium term housing and land supply measures announced by the Chief Executive on 30 August 2012" [Paper] Minutes of the meeting [Minutes]
14 November 2012	Council	A written question (No. 16) on "supply of public housing" [Hansard , "page 1889"]
12 December 2012	Council	An oral question (No. 3) on "changing use of sites and premises of industrial buildings to increase housing supply" [Hansard , "page 3527"]
22 January 2013	Panel on Development	Administration's paper on "2013 Policy Address - Policy Initiatives of Development Bureau" [Paper] Minutes of the meeting [Minutes]
20 February 2013	Council	A written question (No. 13) on "supply of private housing" [Hansard , "page 6979"]

Date of meeting	Council/Committee	Papers/Minutes of meeting
29 May 2013	Council	A written question (No. 18) on "measures to optimize use of lands in the New Territories" [Hansard , "page 12578"]
30 May 2013	Subcommittee on the Long Term Housing Strategy	Administration's paper on "Government's initiatives to increase housing land supply" [Paper] Minutes of the meeting [Minutes]
26 June 2013	Council	A written question (No. 22) on "supply of residential flats" [Hansard , "page 13933"]
3 July 2013	Council	A written question (No. 14) on "demand and supply of commercial sites" [Hansard , "page 14443"]
3 July 2013	Council	A written question (No. 10) on "development of underground spaces" [Hansard , "page 14429"]
16 October 2013	Council	An oral question (No. 1) on "land resources in Hong Kong" [Hansard , "page 490"]
6 November 2013	Council	An oral question (No. 2) on "use of brownfield sites for residential development" [Hansard , "page 1773"]
6 November 2013	Council	A written question (No. 18) on "provision of new residential flats in 2013-2014" [Hansard , "page 1879"]

Date of meeting	Council/Committee	Papers/Minutes of meeting
18 December 2013	Council	A written question (No. 11) on "Steering Committee on Land Supply" [Hansard , "page 4730"]
28 January 2014	Panel on Development	Administration's paper on "initiatives of Development Bureau in the 2014 Policy Address and Policy Agenda" [Paper] Minutes of the meeting [Minutes]
31 March, 1 to 4 April 2014	Finance Committee	Report on the examination of the Estimates of Expenditure 2014-2015
22 October 2014	Council	A written question (No. 18) on "provision of public recreation and community facilities" [Hansard , "page 681"]
5 January 2015	Panel on Housing	"Long Term Housing Strategy" and "Long Term Housing Strategy Implementation Milestones as at December 2014" published by the Transport and Housing Bureau [Paper]
27 January 2015	Panel on Development	Administration's paper on "initiatives of Development Bureau in the 2015 Policy Address and Policy Agenda" [Paper] Administration's paper on "increasing land supply" [Paper] Minutes of the meeting [Minutes]
28 January 2015	Council	A written question (No. 13) on "measures to ensure the supply housing" [Hansard , "page 5219"]

Date of meeting	Council/Committee	Papers/Minutes of meeting
27, 30, 31 March, 1 and 2 April 2015	Finance Committee	Report on the examination of the Estimates of Expenditure 2015-2016
14 October 2015	Council	An oral question (No. 4) on "development of Lantau Island and East Lantau Metropolis" [Hansard , "page 50"]
9 December 2015	Council	A written question (No. 18) on "data on government lands rented out on short-term tenancy"
4 January 2016	Panel on Housing	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2015" [Paper]