

Supply of Flats

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EXECUTIVE SUMMARY

1. Between 1987 and 1996, in six out of the ten-year time period, actual supply of **private housing flats** fell short of the published estimates. This problem has become more serious in the 1990s. Below average supplies were found in the years of 1990, 1992-93, 1995-96. In particular, the 1996 production figure of 19,875 flats was the lowest in the ten-year period, only 66% of the average figure. Developers and professionals point to the complicated development process and delays in the provision of new infrastructure as the main reasons of low housing production.
2. The supply of **public housing flats** also varied from one year to another in 1985/86 - 1995/96. Both Housing Department (HD) and Housing Society (HS) indicate that the fluctuation in public housing supply is mainly contributed by the availability of formed land. For **public rental housing**, the total production volume in 1991/92 - 1995/96 was 104,701 flats, or 56% of the total in 1985/86 - 1990/91. In 1995/96, the annual total of 14,828 flats was just about 37% of the corresponding figure in 1988/89.
3. The annual supply of **public sale flats** was also unstable. In addition, there was a shortfall of 10,166 public sale flats in the 1991/92 - 1995/96, this would create pressures on the Housing Authority (HA), HD, HS, and local construction industry. Further, the eligible applicants would have to continue to wait for the flats.
4. To **increase flat supply**, the Government proposes to increase the supply of land and infrastructure, to streamline and speed up procedures for the approval of housing projects and related land transactions, to facilitate the urban renewal process, and to monitor the capacity of the construction industry.
5. For **ensuring future housing supply**, the Planning, Environment and Lands Branch (PELB) indicates that sufficient land has been identified to meet the flat production targets of 85,000 per year for both public and private housing. The major sources of housing supply would come from the Strategic Growth Areas (SGAs) and the Supplementary Housing Sites. However, the PELB has not provided the details of current development status.

6. For private housing, the current **average lead time** for construction of simple development projects without Planning Applications would be around 39 months. For projects with Planning Applications or Master Layout Plans, an additional three to 12 months would be needed. Generally, for public housing, an average lead time of 62 months is required -- 25 months for design and planning, and 37 months for on-site construction. In the past few years, private developers, HD and HS encountered **delays in the development projects** due to Government's stringent requirements on design, town planning, traffic, environment and construction.
7. In sum, developers and professionals have provided their **points of concern** regarding the existing development process and proposals for increasing future housing production. The Government may have to consider these points:
 - to take necessary steps to produce enough land for housing development by the public and private sectors as the potential of redevelopment of large parcel of land has become limited;
 - to impose statutory requirements for relevant department to respond to submissions within a certain time period, and to have one central authority to act as the arbitrator in solving the inter-departmental conflict;
 - to ensure the provision of needed infrastructure facilities for housing development projects;
 - to address the possible problem of adequate supply of construction labour and other resources;
 - to review the current approach of residential density; and
 - to strike a balance between environmental protection and housing production.
8. **HD** now needs 25 months for design and planning. As some of the construction procedures are done internally and the design for building housing estates is quite the same; hence, the planning process can be simplified further.

Abbreviations

BC	Building covenants
BD	Building Department
BP	Building Plan
DDH	Design, Deposition and Height Clause
DLO	District Lands Office
EMSD	Electrical & Mechanical Services Department
EPD	Environmental Protection Department
FFSS	Flats for Sale Scheme
FSD	Fire Services Department
GEO	Geotechnical Engineering Office
HA	Housing Authority
HB	Housing Branch
HD	Housing Department
HKAARECT	Hong Kong Advancement for the Real Estate and Construction Technology
HKIA	Hong Kong Institute of Architects
HKIERA	Hong Kong Institute of Real Estate Administration
HKIS	Hong Kong Institute of Surveyors
HOS	Home Ownership Scheme
HS	Housing Society
LegCo	Legislative Council
LD	Lands Department
LTHSR	Long Term Housing Strategy Review
LTO	Landlord and Tenant (Consolidation) Ordinance

MPL	Master Layout Plan
NT	New Territories
OP	Occupation Permit
PELB	Planning, Environment and Lands Branch
PHDP	Public Housing Development Program
PD	Planning Department
PRF	Public Rental Flats
PSPS	Private Sector Participation Scheme
REDA	Real Estate Developers Association of Hong Kong
RLS	Research and Library Services Division
SCH	Sandwich Class Housing
SCHS	Sandwich Class Housing Scheme
SGA	Strategic Growth Area
TD	Transport Department
TDD	Territory Development Department
TDSR	Territorial Development Strategy Review
TPB	Town Planning Board
TPO	Town Planning Office
WSD	Water Supplies Department

SUPPLY OF FLATS

PART 1 --- INTRODUCTION

1 Background

1.1 In November 1996, the Subcommittee on Long Term Housing Strategy Review (LTHSR) requested the Research and Library Services Division (RLS) of the Legislative Council (LegCo) to conduct research on supply of flats and land. This research report focuses on the supply of flats. The issue of supply of land is addressed in another research report.

2 Objective

2.1 The objective of this report is to provide analyses on the supply of flats so as to assist Members in studying the LTHSR.

2.2 The scope of the study comprises:

1. to review the supply of private and public housing flats from mid-1980s to 1996, and to analyse the variations in the estimated and annual production of private and public housing during the time period;
2. to provide the forecast of private and public housing flats in the period of 1997-2006, and to discuss the Government's measures for ensuring the future housing supply;
3. to review the current procedures of the construction of private and public housing flats, and to identify the stages, authorities and time involved for each stage; and
4. to identify the concerns of the current development process, and to provide analysis in improving the procedures.

3 Methodology

3.1 To obtain the necessary information and statistics, the RLS studied relevant materials such as Hansard reports and LegCo papers. Moreover, the RLS discussed with professionals and made enquiries to Housing Branch (HB), Planning, Environment and Lands Branch (PELB), Housing Authority (HA), Housing Society (HS), Housing Department (HD), Lands Department (LD), Planning Department (PD), Real Estate Developers Association of Hong Kong, (REDA), Hong Kong Institute of Real Estate Administration (HKIREA), Hong Kong Association for the Advancement of Real Estate and Construction Technology (HKAARECT), Hong Kong Institute of Architects (HKIA), and Hong Kong Institute of Surveyors (HKIS).

3.2 This research report is based on the available information from these sources.

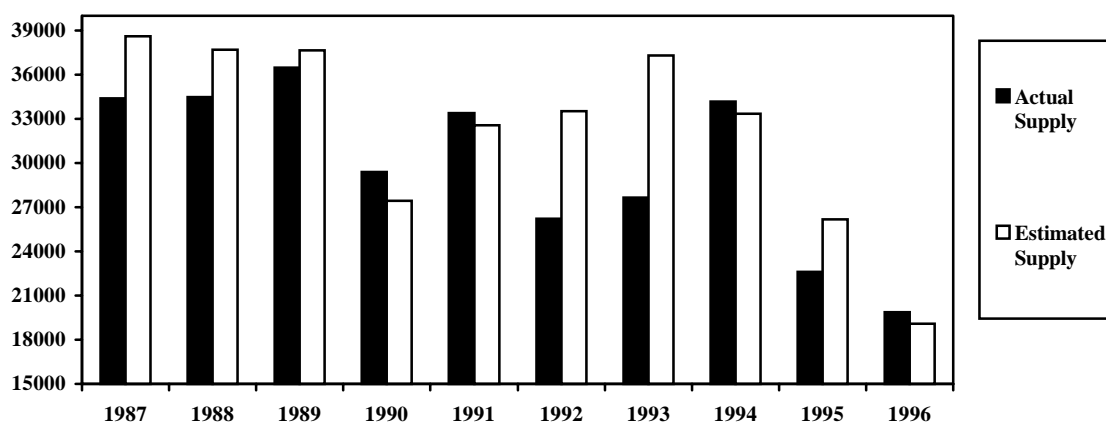
PART 2 --- FLATS SUPPLY

4 Private Housing Flats Supply

4.1 Table 1 compares the supply estimates published by the Government based on developers' production plan and the Rating and Valuation Department's estimates, and actual supply of private housing flats in 1987-1996.

Table 1: Actual and Estimated Number of Private Housing Flats Produced, 1987-1996

Year	Actual Supply (a)	Estimated Supply (b)	Difference (a) - (b)	% Difference [(a) - (b)] / (a)
1987	34,375	38,600	-4,225	-12.3%
1988	34,470	37,700	-3,230	-9.4%
1989	36,485	37,655	-1,170	-3.2%
1990	29,400	27,415	1,985	+6.8%
1991	33,380	32,545	835	+2.5%
1992	26,222	33,510	-7,288	-27.8%
1993	27,673	37,326	-9,653	-34.9%
1994	34,173	33,361	812	+2.4%
1995	22,621	26,164	-3,543	-15.7%
1996	19,875	19,095	780	+3.9%
1987-96 average	29,867	32,337	-2,470	-8.3%



Notes : Estimated data are compiled in respect of all known development and re-development sites in the territory in accordance with information derived from Buildings Development returns, architects' and developers' plans and returns, Rating and Valuation Department's estimates and/or site visits.

Sources : Hong Kong Government Property Reviews, various issues.
 Hong Kong Annual Digest of Statistics, various issues.
 Consumer Council, How Competitive is the Private Residential Property Market?

4.2 In six out of the ten years to the end of 1996, actual supply fell short of published estimates. Shortfalls in private housing production happened in rising as well as falling markets. The historical ten-year average of private housing flats was about 29,867. However, below average supplies were found in years i.e. 1990, 1992-1993, 1995-1996. It should be noted that the annual production figure in 1996 was the lowest in the ten-year period, only about 66% of the average figure. The discrepancy between estimated and actual supply ranged from +7% to -35%.

4.3 This discrepancy between estimated and actual private housing supply can be affected by two factors. First, the Government controls the disposal of housing land and the procedures of construction of private housing flats. Second, the developers can determine the number of flats to be released onto the market and the timing of delivery of flats. In particular, developers and professionals point to the complicated development control process and delays as the main reasons of the discrepancy in the 1990s. Meanwhile, the developers may also adjust the rate of land conversion according to corporate objectives, such as desired earnings stream, and changes in market prices¹.

4.4 According to the comments of professionals, for 1996, the slowdown in housing production rate might in some cases be a reaction to the slide in property prices in the period of 1994-1995. Another cause of slippage was the time taken by the Government to deal with planning applications and other administrative procedures. An increasing number of Government departments are now involved in the development process, thus lengthening the required time period. In addition, for developments dependent on new infrastructure, delays in the provision of the latter would also delay the availability of the new accommodation. Some professionals also highlight that transport infrastructure is managed by the Transport Department (TD) whose priorities are not necessarily the same as in other departments such as LD, PD, and HD.

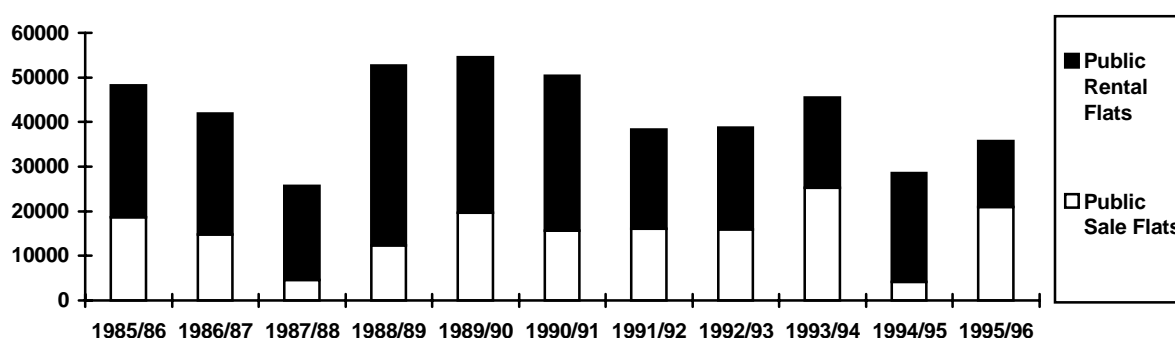
¹ The RLS has not studied this factor due to the time and resources constraints.

5 Public Housing Flats Supply

5.1 The supply of public housing flats varied from one year to another (see Table 2). According to both HD and HS, the fluctuation in public housing supply is mainly contributed by the availability of formed land. Also, the shift of public sale/rental flat production target² also explains the higher fluctuation in public sale flats production. Notwithstanding these factors, maintaining a stable production of public housing to meet demand is a crucial balancing force to the private housing production.

Table 2: Supply of Public Sale and Rental Flats, 1985/86-1995/96 Fiscal Year
(no. of units)

Year	Public Sale Flats	Public Rental Flats	Total Flats Supply
1985/86	18,687	29,605	48,292
1986/87	14,784	27,073	41,857
1987/88	4,639	20,997	25,636
1988/89	12,322	40,368	52,690
1989/90	19,600	34,915	54,515
1990/91	15,612	34,773	50,385
1991/92	16,024	22,307	38,331
1992/93	15,960	22,852	38,812
1993/94	25,212	20,274	45,486
1994/95	4,158	24,440	28,598
1995/96	20,904	14,828	35,732
1985/86-95/96 average	15,264	26,585	41,849



Sources: Public Housing Development Programmes (PHDPs) of March review for 1985/86 to 1995/96 and Statistics Section, HD.

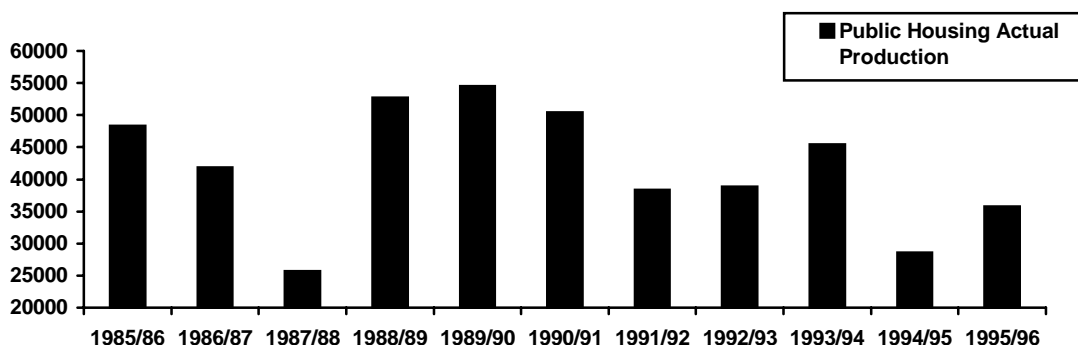
² Before the implementation of the Long Term Housing Strategy production target in 1988, public rental constituted housing about 75% of the total public housing supply. However, since the 1990s, more Home Ownership Scheme (HOS) flats were built. HOS flats now account for about 50% of the total public housing supply.

5.2 Table 3 shows that low production occurred in 1986/87 and 1987/88; however, these shortfalls were picked up by higher production in the later three years, i.e. 1988/89 - 1990/91 (with an annual average of 52,530 flats). For the first development period, there was a marginal production surplus of 275 flats.

5.3 However, there was a shortfall of 8,972 flats in the second development period. It should be noted that the total production figure in this period was only 186,959, equivalent to around 68% of the total in the first development period. As indicated, the low production in 1994/95 and 1995/96 was largely because of the limited supply of formed land in early 1990s.

Table 3: Public Housing Actual Production Against the LTHS Targets, 1985/86-1995/96 Fiscal Year

Year	Housing Authority			Housing Society ⁽¹⁾	Total	LTHS Production Target	Balance
	Urban ⁽²⁾	NT ⁽²⁾	Sub-total				
First Development Period							
1985/86	19,793	28,183	47,976	316	48,292		
1986/87	20,468	21,009	41,477	380	41,857		
1987/88	16,633	7,512	24,145	1,491	25,636		
1988/89	23,642	26,822	50,464	2,226	52,690		
1989/90	21,174	32,082	53,256	1,259	54,515		
1990/91	16,354	31,877	48,231	2,154	50,385		
Sub-total	118,064	147,485	265,549	7,826	273,375	273,100⁽³⁾	275⁽⁵⁾
Second Development Period							
1991/92	17,307	17,581	34,888	3,443	38,331		
1992/93	18,211	19,687	37,898	914	38,812		
1993/94	18,141	26,450	44,591	895	45,486		
1994/95	21,641	6,803	28,444	154	28,598		
1995/96	22,823	11,064	33,887	1,845	35,732		
Sub-total	98,123	81,585	179,708	7,251	186,959	195,931⁽⁴⁾	-8,972⁽⁶⁾



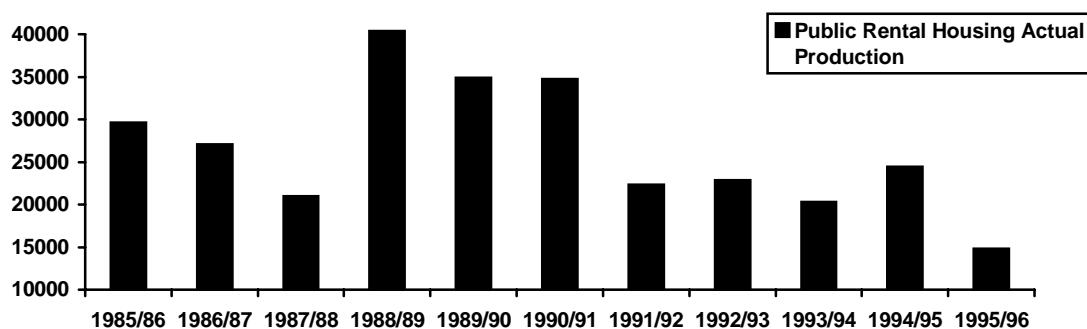
Sources: PHDPs of March review for 1985/86 to 1995/96 and Statistics Section, HD.

Notes :

1. Housing Society Production excluding Sandwich Class Housing (SCH). Breakdown by district is not available.
2. Urban includes Hong Kong, Kowloon, Tsuen Wan and Kwai Chung. NT includes Shatin, Tseung Kwan O, Tai Po, Fanling, Tuen Mun, Yuen Long and Islands.
3. Based on LTHS target (include safety margins) in 1987.
4. Based on the latest approved 1994 LTHS targets which have included any surplus/shortfall of production brought forward from previous development period, 1985/86-1990/91.
5. The shortfall/surplus of production has been carried over and reflected in the production targets in 1991/92 - 2000/01.
6. The shortfall up to 1995/96 would be carried over to the next development period of 1996/97 to 2000/01.

Table 4: Public Rental Housing Actual Production Against the LTHS Targets, 1985/86-1995/96 Fiscal Year

Year	Housing Authority			Housing ⁽¹⁾ Society	Total	LTHS Production Target	Balance
	Urban ⁽²⁾	NT ⁽²⁾	Sub-total				
First Development Period							
1985/86	10,211	19,175	29,386	219	29,605		
1986/87	8,750	18,323	27,073	0	27,073		
1987/88	13,263	6,728	19,991	1,006	20,997		
1988/89	20,142	19,376	39,518	850	40,368		
1989/90	15,908	18,002	33,910	1,005	34,915		
1990/91	15,384	17,235	32,619	2,154	34,773		
Sub-total	83,658	98,839	182,497	5,234	187,731	Not Available ⁽³⁾	
Second Development Period							
1991/92	11,827	9,363	21,190	1,117	22,307		
1992/93	10,459	12,117	22,576	276	22,852		
1993/94	12,950	6,898	19,848	426	20,274		
1994/95	19,037	5,403	24,440	0	24,440		
1995/96	11,515	3,044	14,559	269	14,828		
Sub-total	65,788	36,825	102,613	2,088	104,701	103,507⁽⁴⁾	1,194⁽⁵⁾



Sources: PHDPs of March review for 1985/86 to 1995/96 and Statistics Section, HD.

Notes :

1. Housing Society Production excluding SCH. Breakdown by district is not available.
2. Urban includes Hong Kong, Kowloon, Tsuen Wan and Kwai Chung. NT includes Shatin, Tseung Kwan O, Tai Po, Fanling, Tuen Mun, Yuen Long and Islands.
3. The housing mix targets were not available in the 1987 LTHS Review.
4. Based on the latest approved 1994 LTHS targets.
5. The surplus up to 1995/96 would be carried over to the next development period of 1996/97 to 2000/01.

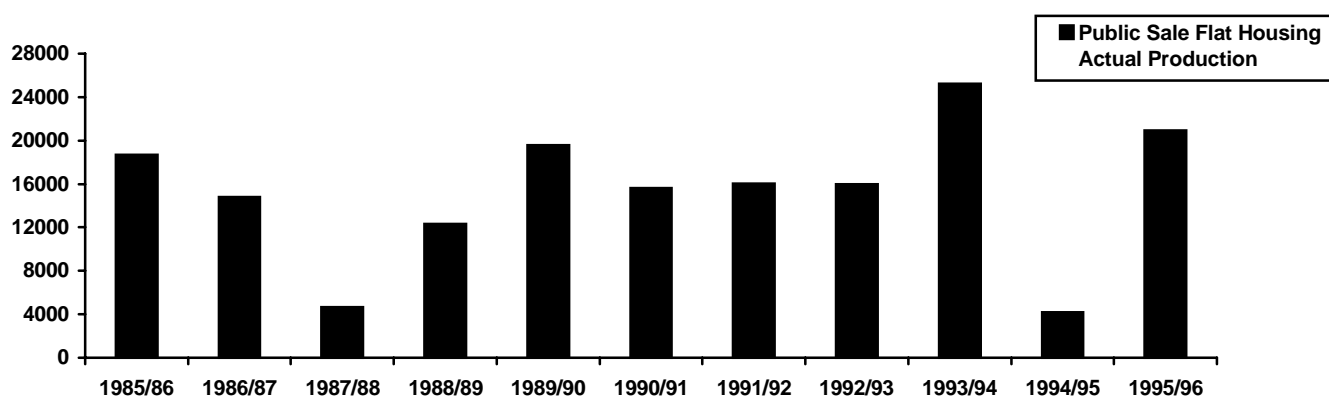
5.4 Regarding public rental housing, the total production volume in 1991/92 - 1995/96 was 104,701 flats, or 56% of the total in 1985/86 - 1990/91. The annual total of 14,828 in 1995/96 was the lowest in the ten-year period, just about 37% of the corresponding figure in 1988/89 (see Table 4).

5.5 The annual supply of public sale flats was unstable in the two development periods. As shown in Table 5, in 1994/95, the production volume was only 4,158 flats. Also, there was a shortfall of 10,166 public sale flats in the second development period. As the shortfall would be carried over to the next development period, this would create pressures on the HA, HD, HS, and local construction industry. Further, the eligible applicants would have to continue to wait for the flats.

5.6 Both HA and HS indicate that the unstable supply of public housing is attributed mainly to the Government's unstable allocation of land. In addition, whether the site allocated can be made available for housing production at the time specified is constrained by various factors such as the environmental impact, traffic capacity and infrastructure projects. Coupled with the time-consuming process for approving the housing programmes by various Government departments, delays in implementing the housing programmes always occur.

Table 5: Public Sale Flat Housing Actual Production Against the LTHS Targets, 1985/86-1995/96 Fiscal Year

Year	Housing Authority					Housing ⁽¹⁾ Society	Total	LTHS Production Target	Balance
	HOS		PSPS		Sub-total				
	Urban ⁽²⁾	NT ⁽²⁾	Urban ⁽²⁾	NT ⁽²⁾					
First Development Period									
1985/86	0	6,688	9,582	2,320	18,590	97	18,687		
1986/87	9,538	0	2,180	2,686	14,404	380	14,784		
1987/88	3,370	0	0	784	4,154	485	4,639		
1988/89	3,500	2,800	0	4,646	10,946	1,376	12,322		
1989/90	2,176	7,872	3,090	6,208	19,346	254	19,600		
1990/91	970	8,832	0	5,810	15,612	0	15,612		
Sub-total	19,554	26,192	14,852	22,454	83,052	2,592	85,644	Not Available⁽³⁾	
Second Development Period									
1991/92	4,206	5,598	1,274	2,620	13,698	2,326	16,024		
1992/93	4,512	6,140	3,240	1,430	15,322	638	15,960		
1993/94	5,191	9,782	0	9,770	24,743	469	25,212		
1994/95	2,604	1,400	0	0	4,004	154	4,158		
1995/96	6,848	8,020	4,460	0	19,328	1,576	20,904		
Sub-total	23,361	30,940	8,974	13,820	77,095	5,163	82,258	92,424⁽⁴⁾	-10,166⁽⁵⁾



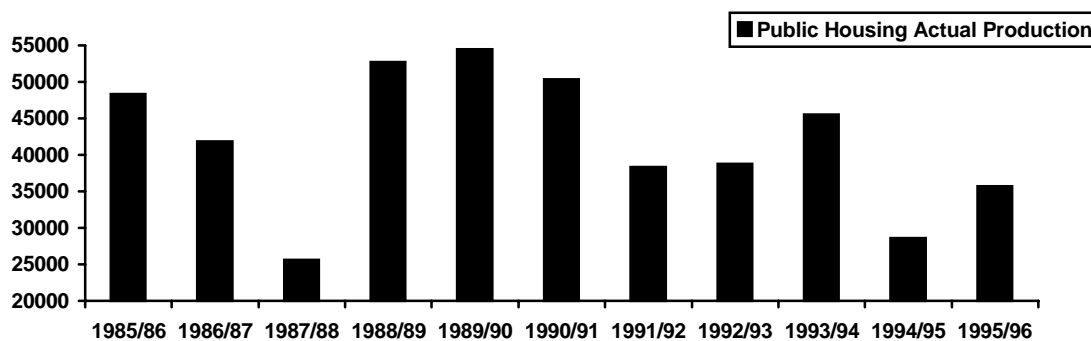
Sources: PHDPs of March review for 1985/86 to 1995/96 and Statistics Section, HD.

Notes :

1. Housing Society Production excluding SCH. Breakdown by district is not available.
2. Urban includes Hong Kong, Kowloon, Tsuen Wan and Kwai Chung. NT includes Shatin, Tseung Kwan O, Tai Po, Fanling, Tuen Mun, Yuen Long and Islands.
3. The housing mix targets were not available in the 1987 LTHS Review.
4. Based on the latest approved 1994 LTHS targets.
5. The shortfall up to 1995/96 would be carried over to the next development period of 1996/97 to 2000/01.

Table 6: Public Housing Actual Production, 1985/86-1995/96 Fiscal Year

Year	Housing Authority	Housing Society ⁽¹⁾	Total
1985/86	47,976	316	48,292
1986/87	41,477	380	41,857
1987/88	24,145	1,491	25,636
1988/89	50,464	2,226	52,690
1989/90	53,256	1,259	54,515
1990/91	48,231	2,154	50,385
1991/92	34,888	3,443	38,331
1992/93	37,898	914	38,812
1993/94	44,591	895	45,486
1994/95	28,444	154	28,598
1995/96	33,887	1,845	35,732
Total	445,257	15,077	460,334



Source: PHDPs of March Review for 1985/86 to 1995/96 and Statistics Section, HD.

Notes: Housing Society Production excluding SCH. Breakdown by district is not available.

5.7 Table 6 shows the public housing actual production in 1985/86 - 1995/96. During the time period, a total of 460,334 public housing flats were produced, having an annual average of 41,848 flats. HA played the dominant role, accounting for 97% of the total production.

6 Forecast of Flats Supply

Government's Production Targets

Public Rental Flats

6.1 The Government's target is to build 141,000 Public Rental Flats (PRF) between April 1995 and April 2001. 21,500 PRF will be available in 1997/98.

Public Sale Flats

6.2 The Government's target is provide land for the HA and the HS to produce over 150,000 flats by 2001 under the HOS, the Private Sector Participation Scheme (PSPS) and the Flats for Sale Scheme (FFSS). About 17,000 flats are expected to be completed under these schemes in 1996/97. In addition, the Government will provide land and loans to the HS to build 30,000 flats by 2003 under the SCHS.

6.3 16,000 subsidised flats and 4,000 SCHS flats will be for sale in 1997/98.

Private Housing Flats

6.4 The Government's target is to facilitate the production of 195,000 private housing flats between April 1995 and April 2001³. 21,500 flats will be provided in 1997/98.

Public Housing Projected Production in 1996/97 - 2000/01

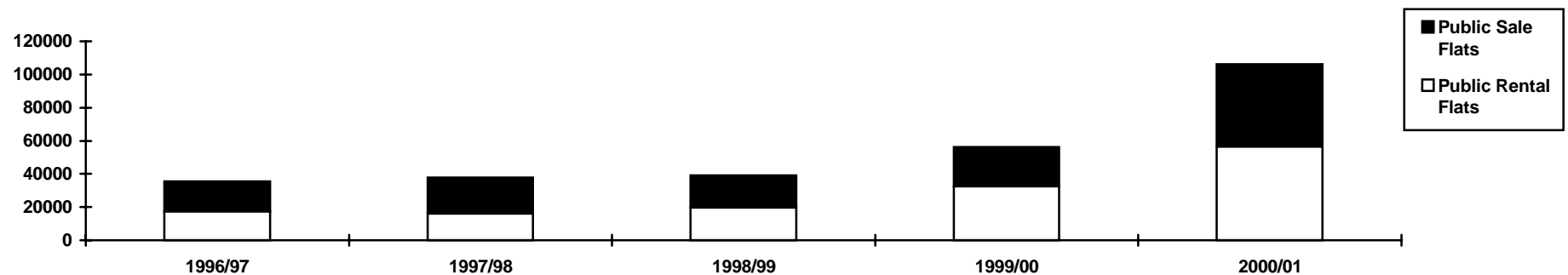
6.5 HD provides the projected housing production in 1996/97 - 2000/01 (see Table 7). During the 1996/97 - 1998/99 period, the annual production volume would be stabilised around 37,400. The annual figure is forecast to increase to 56,275 in 1999/00 and further to 106,287 in 2000/01 (2.8 times of the annual average in 1996/97 - 1998/99).

6.6 HD projects to build 132,084 PRF in the whole development period, corresponding to an average of about 26,417 flats per annum. For public sale flats, the total production would reach 142,647, corresponding to an annual average of 28,529.

³ REDA has indicated that it is not possible to provide the projected annual production figure due to the changing business environment.

Table 7: Public Housing Projected Production, 1996/97-2000/01 Fiscal Year

Year	Housing Authority								Housing Society			Total	
	Rental			HOS		PSPS		Sub-total for both HOS and PSPS	Sub-total for Housing Authority	Rental	Sale Flat		Sub-total for Housing Society
	Urban	NT	Sub-total	Urban	NT	Urban	NT						
1996/97	15,045	1,918	16,963	11,673	1,515	2,340	1,350	16,878	33,841	971	648	1,619	35,460
1997/98	12,528	8,888	21,416	2,912	6,992	0	1,844	11,748	33,164	234	4,314	4,548	37,712
1998/99	16,193	2,929	19,122	2,043	1,920	6,360	9,016	19,339	38,461	0	536	536	38,997
1999/00	17,542	6,255	23,797	1,480	15,400	5,340	9,346	31,566	55,363	0	912	912	56,275
2000/01	37,438	12,143	49,581	22,208	12,792	7,060	14,150	56,210	105,791	0	496	496	106,287
Total	98,746	32,133	130,879	40,316	38,619	21,100	35,706	135,741	266,620	1,205	6,906	8,111	274,731



Source: 9/96 PHDP.

Notes : Housing Society Production excluding SCH. No district breakdown is available.

Urban includes Hong Kong, Kowloon, Tsuen Wan and Shatin. NT includes Tseung Kwan O, Tai Po, Fanling, Tuen Mun, Yuen Long and Islands.

Increasing Flat Supply

6.7 Based on the LTHSR Consultative Document, the latest forecast of housing demand is for about 80,000 new flats on average each year over the whole forecast period from 1995/96 to 2005/06: some 85,000 in the first period (from 1995/96 to 2000/01), and 73,000 in the second period (from 2000/01 to 2005/06).

6.8 For the first period from 1995/96 to 2000/01, the Government has allocated or identified sufficient land (based on past trends for private sector production) to meet the announced production target of about 85,200 flats a year for both public and private housing⁴.

6.9 For the second period from 2000/01 to 2005/06, the Government has assumed, for the purpose of land use planning, a requirement for 78,000 flats on average each year (which represents a “safety margin” of about 7% on the current forecast of housing demand for the period).

6.10 To ensure an adequate supply of flats to meet forecast demand over the whole forecast period, the Government proposes:

1. to increase the supply of land and supporting infrastructure. The actual timing of the availability of sites will be critical in ensuring an adequate and steady supply of land to meet housing demand;
2. to streamline and speed up procedures for the approval of housing projects and related land transactions;
3. to facilitate the urban renewal process; and
4. to continue to monitor the capacity of the construction industry and to take early measures, as appropriate, to alleviate any specific constraint which may arise.

Measures for Ensuring Future Housing Supply

6.11 According to the reply to the RLS, to meet the projected housing demand up to 2005/06, the PELB has taken the following measures.

⁴ This figure is an average. The actual supply will vary from year to year, depending upon various factors. In the public sector, production is scheduled to increase substantially towards the end of the period.

Housing Supply for the Period 1995/96 to 2000/01

6.12 Based on the September 1996 PHDP, Territory Development Department's (TDD) 1996 Development Programmes, Airport Railway Development Programme and assumed private sector redevelopment, sufficient land has been identified to meet the flat production targets of 85,000 per year for both public and private housing.

Housing Supply for the Period 2001/02 to 2005/06

6.13 The estimated flat requirement of 390,000 flats could be met through these sources: "built back" through redevelopment, new sites reserved on town plans, the Strategic Growth Areas (SGAs) and the Supplementary Housing Sites.

Flat Supply from Reserved Sites and Redevelopment of Existing Sites

6.14 It has been estimated that the potential flat supply from new sites reserved on town plans and redevelopment of existing sites in the public and private sector will be able to generate approximately 180,000 flats. Geographical distribution of the reserved sites is shown in Table 8.

Table 8: Geographical Distribution of Reserved Sites for Flat Production in 2001/02 - 2005/06 Fiscal Year

District Board	Site Area in Hectares			
	Private Housing	Public Housing	Total	%
Central & Western	1.69	-	1.69	0.9
Wan Chai	1.99	-	1.99	1.0
Eastern	2.2	-	2.2	1.1
Southern	0.2	0.92	1.12	0.6
Yau Tsim Mong	6.42	-	6.42	3.3
Sham Shui Po	2.62	-	2.62	1.3
Kowloon City	3.6	2.20	5.8	2.9
Wong Tai Sin	1.39	2.05	3.44	1.7
Kwun Tong	0.52	2.72	3.24	1.6
Tsuen Wan	5.02	-	5.02	2.5
Tuen Mun	39.8	-	39.8	20.2
Yuen Long	6.64	35.29	41.93	21.3
North	0.61	10.96	11.57	5.9
Tai Po	6.52	-	6.52	3.3
Sai Kung	7.61	-	7.61	3.9
Sha Tin	29.58	12.44	42.02	21.3
Kwai Tsing	5.06	5.60	10.66	5.4
Islands	3.65	-	3.65	1.8
Total	125.12	72.18	197.3	100.0

Source: PD.

Flat Supply from Strategic Growth Areas

6.15 In Territorial Development Strategy Review (TDSR), the following ten SGAs have been identified for development in the medium-term strategy:

1. West Kowloon Reclamation
2. Kai Tak - Kowloon Bay (Phase 1 & 2)
3. Green Island Reclamation
4. Tsuen Wan Bay Reclamation
5. Central Wanchai Reclamation
6. Tseung Kwan O (Phase 3) & Extension Area
7. Tung Chung - Tai Ho (Phase 2, 3 & 4)
8. Au Tau - Kam Tin
9. Yuen Long South
10. Whitehead

6.16 Some of the SGAs are in more advanced stages of planning and/or engineering feasibility studies, while other areas are under development.

6.17 Subject to the finalisation of TDSR, the following SGAs may be able to provide 165,000 flats to meet the medium-term housing demand:

1. West Kowloon Reclamation
2. Kai Tak - Kowloon Bay (Phase 1 & 2)
3. Tseung Kwan O (Phase 3) & Extension Area
4. Tung Chung - Tai Ho (Phase 2,3 & 4)
5. Au Tau - Kam Tin
6. Yuen Long South
7. Whitehead

Flat Supply from the Supplementary Housing Sites

6.18 As not all the SGAs could be made available before 2005/06 to meet the medium-term production target, potential supplementary housing sites have been identified. The housing sites are of the following categories:

1. possible sites for rezoning;
2. potential sites for upzoning;
3. potential sites for intensification of development;
4. new housing sites in peripheral urban area; and
5. possible HA flatted factory sites for housing.

6.19 Subject to assessment of infrastructural capacity and environmental impact, the above sites may be able to produce 45,000 flats in the medium-term. The supplementary housing sites under examination are generally located in Sha Tin, Tuen Mun West, Fanling West, Kowloon East, Kowloon West and Hong Kong East.

HD

6.20 HD will partly request the Government to provide additional new land and partly increase the supply by identifying potential infill development in the existing estates, rebuilding sites and increasing the development density in the programmed projects subject to agreement from concerned departments.

6.21 The timely completion of projects depends on various factors including construction progress, planning, rezoning, environmental/traffic issues resolved in time, and whether the sites are formed/cleared/resumed before the commencement of the construction work. HD is required to monitor the progress and negotiate with other departments to secure timely completion of projects.

Factors Affecting Future Public and Private Housing Supply

6.22 In the urban area, there is only a small number of sites for redevelopment; new sites for residential development would come from the reclamation area, e.g. Aldrich Bay in Hong Kong, and West Kowloon and Hung Hom Bay in Kowloon and from Kai Tak Airport after its relocation. In the New Territories, sites would be available for development after site formation or reclamation and provision of infrastructure.

6.23 When considering new sites or existing sites where change of land use is necessary, e.g. from industrial to residential, various studies on traffic, drainage, sewerage, environment, etc would be carried out to ensure that the proposed infrastructure are adequate for the planned population and the environmental issues are properly dealt with.

6.24 In a rising market the developer may expedite the construction programme. Conversely, the progress may be slowed down in a falling market as experienced in mid-1994 and end-1995.

HS

6.25 According to the reply to the RLS, for HS, the major factors affecting the supply of each category of public housing include:

1. timely availability of suitable development sites;
2. decanting of existing tenants in redevelopment projects (mainly in respect of HS redevelopment projects);
3. site constraints in respect of layout, topography, provision of infrastructure;
4. stringent requirements in planning, transport and environmental aspects; and constant consultations with relevant Government departments and detail studies are required;
5. political issues as generated from the pressure groups or related parties;
6. financial viability and availability of internal financial resources;
7. inflexible land grant conditions on users;
8. revision of design due to the enforcement of new stringent requirements (in particular those imposed at a late development stage) such as planning, transport or other requirements;
9. performance of consultants and contractors; and
10. shortage of labour in the construction industry.

PART 3 --- STANDARD PROCEDURES

7 Standard Procedures for Construction of Private and Public Housing

7.1 The development process, which starts with site identification, through planning studies, land disposal, building plan approval and eventually ends up in actual flat construction, is a long process requiring the cooperations from various Government departments such as PD, LD, BD, and HD. In each step of the process, one of the departments provides the lead with the other departments giving their respective input.

Private Housing

7.2 For residential sites sold by auction and tender or sites permitted for residential development by lease modifications and land exchanges, LD would impose building covenants (BC) in the lease conditions, which require the development to be completed within the BC periods specified. The lengths of the BC and periods depend on the scale of the development and are normally three or four years and for some large projects five years.

7.3 The developer would be required to submit:

1. General Building Plans to the BD for approval under the Building Ordinance; and
2. Master Layout and Landscaping Proposal Plans (if required under the lease), and General Building Plans to the LD for approval under the lease.

7.4 LD has set the target time for processing these submissions: 12 weeks for Master Layout and Landscaping Proposal Plans, and 15 weeks for General Building Plans.

7.5 According to the REDA, in reality, the current average lead time for construction of simple development projects without Planning Applications would be around 39 months; these include five months for obtaining Building Plan approvals despite the statutory time of 60 days, three months for obtaining Structural Plan Approvals, two months for Consents to Work, 27 months for construction, and two months for Occupation Permits (OPs) and Fire Permits. For projects with Planning Applications or Master Layout Plans, an additional three to 12 months would be needed. For details, please refer to the flow chart at Appendix A.

7.6 The REDA also indicates that seven months would be required to obtain Environmental Impact Assessment (EIA) reports. According to a professional Institute's reply to the RLS, at this stage, it is difficult to comment too much on the EIA Bill as it is subject to the finalisation of the Technical Memorandum. Detail implementation should adopt a more flexible approach to facilitate development while maintaining good environmental standard.

Public Housing

HA

7.7 For HA, currently an average lead time of 62 months is allowed for all Rental and HOS projects in the PHDP. It starts from the time when a housing site is identified and entered into the PHDP and ends at the time when the building work on the housing site is complete. The main stages within the 62 months period are as follows (see Table 9):

- Twenty-five months are required for design and planning. In the process, HD has to work with various Government departments. In particular, HD and PD have to jointly work out a planning brief for the Government's approval. HA and HD have to finalise the client brief according to specific needs of the district concerned, detailing the facilities and flat sizes of the relevant estate. HD has to design the estate layout in consultation with the District Board, residents concerned, EPD, TD and PD etc. For projects of a smaller scale and with less complexity, this process can be slightly shortened.
- Thirty-seven months are needed for actual on-site construction. This process is different to reduce further. At the same time, HD has to work with other Government departments to ensure that the programme for provision of roads and infrastructure would be met.

Table 9 : Main Stages of the Construction of Public Housing

		Current Lead Time Since 1994 (Months)	Previous Lead Time Before 1994 (Months)
(a)	Feasibility study and preparation of planning brief for approval by Government's Planning and Land Development Committee	6	11
(b)	Preparation of control plan, client brief, and project estimate for approval by the Building Committee ⁽¹⁾	6	4
(c)	Preparation of scheme design and project budget for approval by the Building Committee	6	10
(d)	Preparation of detailed design for approval by the Department's Detailed Design Review Panel	3	3
(e)	Invitation of tender and approval by the Building Committee	4	4
(f)	Commencement of construction and completion (including 9 months for piling and 28 months for standard 41-storey Harmony Block building construction)	37	40
	Total	62	72

Source: HD.

Note :

1. This committee is HA in-house committee; members are appointed experts.

7.8 The detailed work procedures and time required for the construction of PRF/HOS domestic blocks which takes about 37 months are listed below (see Table 10).

Table 10 : Detailed Work Procedures and Time Required for Construction of Public Housing

Procedures/Activities	Months	Cumulative Total (Months)
Foundation Works: Piling with Pile Caps under a separate contract	9.0	9.0
Building Works: (a) Mobilization Time + Sub-structure up to Ground Level	3.0	12.0
(b) Superstructure (41 storeys)	13.0	25.0
(c) Roof, Machine Room and Water Tanks, etc.	1.6	26.6
(d) Finishes and fitting out	8.4	35.0
Allowance for Inclement Weather	2.0	37.0
Total		37 + (SF)*

* Site Formation Work

Note: Programme is based on current standard lead time for 41-storey standard domestic blocks.

Source: HD.

HS

7.9 For HS, broadly speaking, the procedures are divided into:

External: Unlike the HA, the HS has to go through all the statutory procedures and standard process of construction works like those experienced by private developers. e.g. BP submissions, OP application etc.

Internal: At different construction stages, recommendations as to design, appointment of contractor etc. will be submitted to relevant committees of the HS for approval in parallel with the construction process.

7.10 As far as the HS is concerned, there has not been discernible changes in the procedures of construction of public housing in the past ten years. However, it is observed that the stringent Government requirements on environmental, planning and transport issue have on many occasions prolonged the construction programme.

7.11 As explained, the HS has to follow the same statutory controls as those applicable to the private developers. With the assistance of the Housing Project Action

Team⁵, HS is able to go through the necessary statutory procedure in a more smooth and speedy manner.

Government Departments Involved in the Construction of Flats

7.12 From the planning process to the completion of a housing project, many Government departments would be involved and they would be invited for comments from time to time. Among these, departments such as PD, BD, TD, TDD, Highways Department, Civil Engineering, Drainage Services Department, Geotechnical Engineering Office (GEO), Water Supplies Department (WSD), LD and EPD will be consulted more frequently on the relevant issues. For sites where sectoral studies like traffic, environmental and drainage assessment studies have to be conducted, the time involved by the concerned departments would be relatively longer. Hence it would be difficult to quantify the time input by individual department.

Measures to Speed up the Construction of Public Housing

7.13 According to the reply to the RLS, the HA has taken the lead to speed up the construction programme by these measures:

1. Encourage greater efficiency by using mechanised methods of construction; demanding the use of large panel formwork about ten years ago; and the use of precast elements in the building contract. The use of prefabricated mesh reinforcement is being actively pursued.
2. In year 1990, new standard Harmony Block was introduced which incorporated greater degree of standardisation in the design and rationalised the dimension of all components and making it possible for a greater proportion of components to be manufactured off site in quality managed conditions.
3. Mandatory use of precast facade construction to control the quality and to speed up the construction cycle of the domestic block.
4. Continue refinement of the standard block design and the use of more paint work in lieu of tiles on the external walls so as to reduce the time needed for items on the critical path.

⁵ The Government has set up this team under the Secretary for Housing to monitor, facilitate and expedite the process of housing developments which would each produce 500 or more flats.

7.14 HD also undertakes Business Process Re-engineering, including simplifying the internal public housing development approval process with a view to shortening the existing development lead time. The success of reducing overall lead time for public housing development would also require in parallel change in the external approval process, such as streamlining the external procedures or relaxing some of the requirements and standards.

Delays Experienced by HD and HS

7.15 In the past few years, similar to private developers, both HD and HS encountered difficulties in their projects. Some examples are provided for reference.

HD

7.16 The design, town planning, traffic, environment, and construction requirements do affect the lead time of construction of public housing. HD provides some examples:

Projects	Initial Completion Date	Current Completion Date	Reasons
Yau Tong / Ko Chiu Road Estates / Lei Yue Mun housing site	1999/2000	2001/2002	<ul style="list-style-type: none"> Requirement for Environment Impact Assessment and Traffic Impact Assessment studies (both local and regional). Uncertainties of Western Coast Road & Mass Transit Railway alignments.
Cheung Sha Wan	1999/2000	2000/2001	Affected by infrastructure capacity problem hence delay in approval of planning brief.
Tseung Kwan O Area 59 Phase 5, 6	1997/1998	1998/1999	Affected by environmental issue (noise mitigating measures) revision to estate design was needed.
Hung Hom Bay PSPS	1998/1999	1999/2000	Affected by rezoning objections.
Fanling Area 49A	1998/1999	1999/2000	Affected by responsibilities on maintenance of the nature slope.

Source: HD.

HS

7.17 Some examples of difficulties encountered by HS are as follows:

Projects	Delay in Time	Reasons
Lung Poon Street	½ years	Planning - Rezoning objection
Tuen Mun Area 4C	2 years	Transport - Objection from District Board
Queen's Road Central / Hollywood Road	4 years	Site Condition - Geotechnical problems
Site at West Kowloon Reclamation Area	1 year	Environmental
Bo Shek Mansion	2 years	Environmental
Ma On Shan Area 77	9 months	Environmental
Ma On Shan Area 86B	1½ years	Infrastructural
Hing Shing Road	½ years	Clearances objection

Source: HS.

PART 4 --- ANALYSIS

8 Points of Concern

Supply of Land

8.1 Land supply is the major factor affecting the public and private housing supply. In the 1980's most developers relied on redevelopment of large dock yards, godowns, etc., in urban areas. This source of supply of land has become scarce. Also a large number of privately-owned old buildings have now been redeveloped. So land supply now mainly rely on Government auctions and tenders and conversion of agricultural land in the New Territories. The supply of new land parcels from the Government's land auction and tender programmes is limited. Land conversion process is also considered slow. It is now increasingly apparent that in future the major source of land supply for housing development will come from the Government. Hence, it is necessary for the Government to take necessary steps to produce enough land for housing development by both the public and private sectors.

Government Regulations and Approvals

8.2 Every development needs to comply with many regulations and requirements of a large number of Government and public authorities (i.e. BD, EPD, TD, TDD, Architectural Services Department, Government Property Agency, etc.). Sometimes, a developer for a single development has to deal with a large number of Government departments and the coordination amongst the departments (each with their own mandate) often takes a long time. Long lead time required for obtaining feedback and approvals from Government departments and authorities is a major concern. The Government is advised to consider to impose statutory requirements for departments to respond to submissions within a certain time period. BD has a statutory time requirement of 60 days to respond to building plan submissions.

8.3 At times, different Government departments may have different or opposite views in the areas of environmental protection, town planning, transport etc., (over which more than one department has mandate). It could take a long time and lots of efforts in trying to bring some kind of consensus amongst these departments. When there is inter-departmental conflict involved, there is better one central authority which can act as the arbitrator.

Infrastructure Development

8.4 The adequate and speedy provision of needed infrastructure facilities, such as roads and public transport, water supply, schools etc., is a major factor affecting public and private housing supply. The development of these facilities will take time and the Government has to put enough resources for increasing the supply of land and flats. Road widening works and improvement works are required especially for large development and change of land use and in some cases even to stop building developments. Hence, it is important that the added supply of land should be matched with the development of the needed infrastructure facilities. Some professionals propose that the Government can bring forward the development by entrusting infrastructural facilities to the developer, with reimbursement of costs from public funds. By doing so, the required infrastructure facilities can be matched with the housing development project.

Labour Supply for Development and Construction Works

8.5 Labour supply and labour costs are major factors in land developments. The supply of labour for development and construction works in the past few years has been affected by the large scale developments undertaken by the Government relating to the new airport and related rail transit and expressways. If the Government has plans to increase land and housing production in the mid and long terms, the problem of adequate supply of construction labour and other resources has to be addressed.

8.6 Based on the LTHSR Consultative Document, the Government does not expect a significant shortage of labour in the construction industry over the medium term. However, there are indications of potential shortages in specific trades, e.g. electricians and plasterers, particularly as construction activity is scheduled to increase substantially in the public sector in the period from 1998 to 2001. The Government promises to monitor the situation and, if necessary, to seek the advice of the Construction Advisory Board and the Construction Industry Training Authority on measures to alleviate any specific constraint which may arise.

Town Planning Policy

8.7 Town planning is a major factor affecting housing developments. Town planning affects development patterns and land uses and so, proper and timely town planning is a must for better land developments in Hong Kong. Stringent control of density of development affects the developable floor spaces for housing. In the New Territories, the plot ratio of the land may be only 0.2 or 0.4, seriously reducing the land supply (which actually should be developable floor space)⁶. The Government may have to review the current approach of residential density in order to accommodate the eight million people in 2011 and even more thereafter.

Environmental Regulations

⁶ The RLS is now conducting a research on this issue.

8.8 The Government is advised to strike a balance between environmental protection and housing production. Professionals indicate that the process of the agreement on the noise mitigation measure for certain projects is time consuming. The stringent requirement and standard and the methodology for evaluating noise impact by the EPD is a major concern. In fact, private developers, HA, HD and HS all share this view. As indicated, environmental factor is a major cause of delay for public housing projects.

Others

8.9 The PELB is advised to provide the public with the details of the current development status of the SGAs and Supplementary Housing Sites and regular progress report on these areas so as to increase their credibility.

8.10 HD now needs 25 months for design and planning. As some of the construction procedures are done internally and the design for building housing estates is quite the same; hence, the planning process can be simplified further.

Considerations

8.11 Given the long lead time required for housing production, any new land which are identified now will only have production completed beyond 2001. To increase production before 2001, the feasible measure is to look into the scope for further increasing flat production on existing projects. The development potentials can be further maximised if the Government implements the following measures:

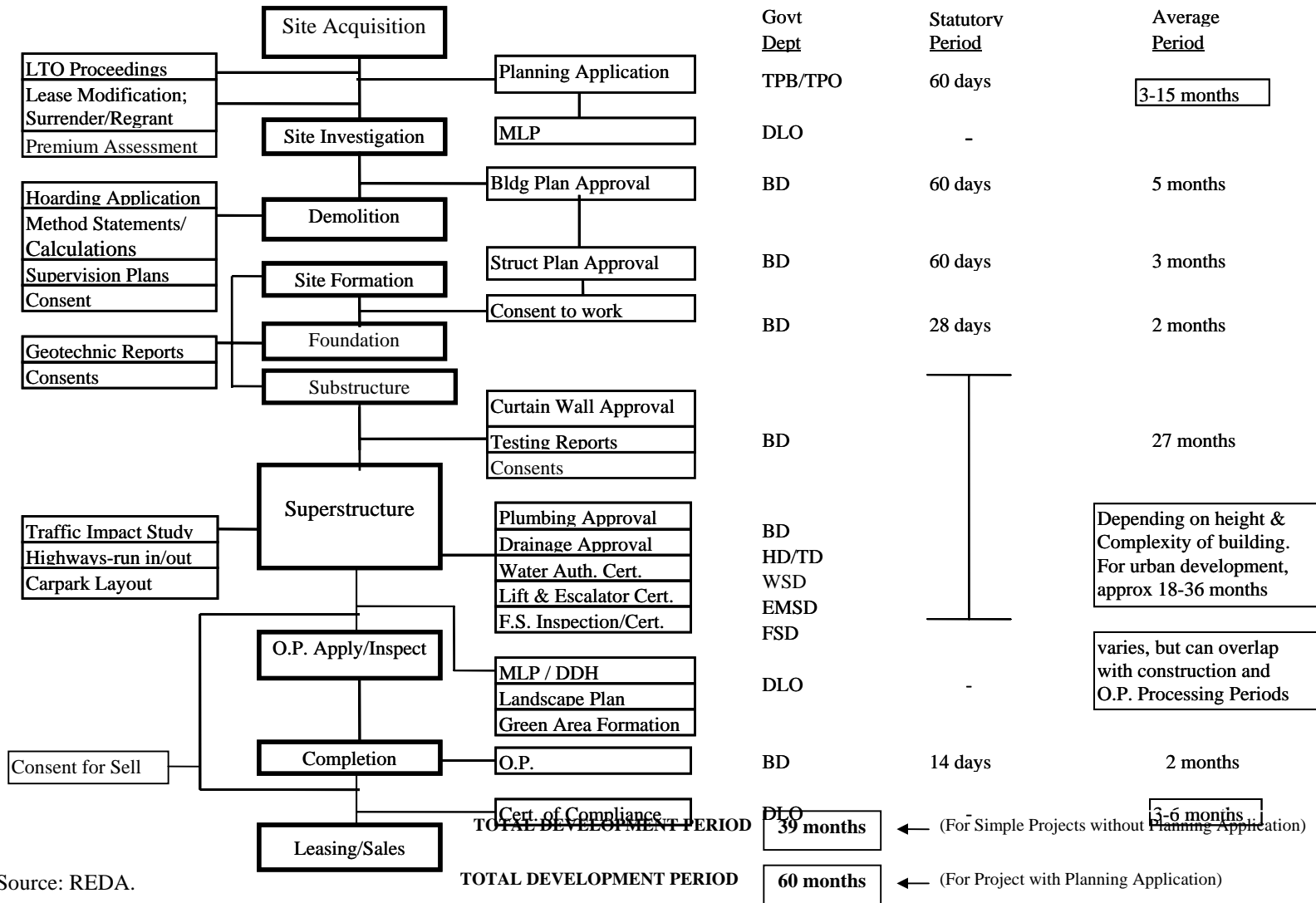
1. to relax restrictions on planning and urban design grounds;
2. to adopt a flexible approach on provision of active recreational facilities; and
3. to resolve restrictions on infrastructure capacity and environmental aspect.

8.12 Besides land supply, private developers and professionals have expressed the hope for the Government to take a serious look at the land development process and the housing construction process. This should encompass all aspects from rezoning, lease modification and resumption to town planning and environment and traffic assessments. The Government is advised to find ways to simplify the approval procedures and shorten the time for conducting various assessments.

8.13 It should be noted that the proposals from the developers and professionals do not have any major differences from the Government. The Government is advised to take necessary actions to fulfill its commitments so as to increase future housing supply.

Appendix A

Procedures of Construction of Private Housing



Source: REDA.

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