

Land Policy Meeting Paper LPM 3/87

For discussion on 25.5.87

File Ref: BLD 1/IS/PL/82 XI

Lot 385 in DD 352, Discovery Bay, Lantau

Recommendation

Members are asked to approve that the maximum permitted gross floor area for the residential, commercial and hotel areas be fixed at 613,155 m² and that the minimum gross floor areas for the public works and community facilities be those as shown in the present and proposed Master Layout Plan (MLP) No.5.3 as 24,875 m² and 18,040 m² respectively.

Background

2. The Conditions of Exchange dated 10 September 1976 states that 6,578,381.2 sq.ft. of agricultural land and 42,179.6 sq.ft. of building land totalling 6,620,560.8 sq.ft. be surrendered in exchange for the grant of 66,217,000 sq.ft. of Government land. These Conditions do not specify a maximum gross floor area permitted but refer to the development being in accordance with an approved Master Layout Plan. The basis of the exchange was basically 1:1 ratio in that the approved MLP No.3.5 permitted a gross floor area of 6.6 million sq.ft. (613,155 m²) which excluded the Recreational Areas but included 15,794 m² for Public Works; 1,858 m² for the Fire and Police Station and 2,787 m² for the school totalling 20,439 m². The residential, commercial and hotel gross floor areas totalled 592,716 m². (Option 1) In 1977, the first revision to MLP No.3.5 was approved as MLP No. 4.0 which showed 6,550,000 sq.ft. (608,510 m²) (Option 2) but wrongly converted this to 607,000 m² for the residential, commercial and hotel areas. Whilst the community facilities i.e. the school, fire and police station were included in the overall permitted gross floor area of 6.6 million sq.ft. (613,155 m²), the area devoted to Public Works (15,794 m²) was excluded and hence the increase in the residential, commercial and hotel areas by the same amount. Subsequent revisions of the MLP's in 1981 (MLP No.5), 1983 (MLP No.5.1), 1985 (MLP No.5.2) which is the current approved plan

showed the same amount of gross floor areas (wrongly converted as 607,000 m²) for the residential, commercial and hotel areas but showed an increase in the Public Works and community facilities to 42,915 m². Both these figures of 607,000 m² and 42,915 m² are also shown in the proposed MLP No.5.3 which is present under review.

Arguments

Three options are as follows:-

Option 1 - 592,716 m²

3. This figure represents the residential, commercial and hotel gross floor areas as contained in the original MLP No.3.5. However, the total gross floor area permitted of 613,155 m² (6.6 million sq.ft.) includes 20,439 m² devoted to public works and community facilities. The Hong Kong Resort Company submits that this is inequitable in that the whole of the 613,155 m² should apply to the residential, commercial and hotel areas as stated under Option 3.

Option 2 - 608,510 m²

4. This figure is shown wrongly on the currently approved MLP No.5.2 as 607,000 m² and is again shown on the proposed MLP No.5.3 presently under review. This figure of 607,000 m² originated from the first review of the original MLP No.3.5 and was approved in 1977 as MLP No.4.0, and has been shown in subsequent revisions of the MLP since. The correct figure of 608,510 m² represents an increase of 15,794 m² over Option 1 and is due wholly to the exclusion of the public works areas comprising a sewage treatment plant, storage yard, refuse disposal plant, ferry and service areas.

Option 3 - 613,155 m²

5. As mentioned above this figure represents the maximum permitted gross floor areas on the original MLP No.3.5 and formed the basis for the 1976 exchange. Whatever reasons there may have been in 1976 for requiring Hong Kong Resort Company to surrender land on a foot-for-foot basis in exchange for

gross floor areas which included 220,000 sq.ft. (15,794 m²) for public works and (4,645 m²) for community facilities, the Company submits that this is no longer equitable or appropriate in that the 6.6 million sq.ft. surrendered should now equate only to the residential, commercial and hotel areas. The Company further argues that MLP No.3.5, approved in 1976, considerably under-estimated the gross floor areas required for public works and community facilities when compared with the proposed MLP No.5.3 which gives an increase of 22,476 m² as the following table shows:

	<u>MLP 3.5</u>	<u>MLP 5.3</u>
Public Works/ transport	15,794 m ²	24,875 m ²
Fire and Police	1,858 m ²	2,860 m ² (as built)
School	2,787 m ²	15,180 m ² [1,954.8 m ² as built 891.8 m ² being built]
	<u>20,439 m²</u> =====	<u>42,915 m²</u> =====

This was partly because MLP No.3.5, with 1,750 hotel rooms and 2,675 condominium units, was slanted towards a resort concept and a second home. The present MLP No.5.2 and the proposed MLP No.5.3 is devoted largely to first homes for local people and this has greatly increased the requirement for public works and community facilities. For example, in MLP No.5.2 the Company has provided a 25,075 m² site for a school. with 24 primary and 36 secondary classrooms - to date 11 classrooms have been built and 8 are about to be built in connection with Phase III. So far as the Fire and Police Station are concerned, not only the Company provide a bigger building, at Government's requirement, than was originally anticipated, but the cost was \$6.6 million as against the \$2.25 million which was allowed against the premium. The Company argues that the core infrastructure, already built at a cost of some \$700 million is able to support additional gross floor area and an increased population. The reservoir has a capacity of 750 million gallons and, once adjacent catchment areas are tapped, will be able to supply a population of over 30,000. The Company deemed it prudent to build a larger reservoir than that envisaged in MLP No.3.5, approved in 1976, which had a capacity of only

600 million gallons. The Company also planned the reconstituted Tai Pak Beach, the culverts and the drains to cope with the worst storm anticipated in 200 years, whereas this could have been planned for 25 years and periodic flooding would have had to be accepted. Part of this high infrastructure cost is attributable to Government's encouragement or insistence. For example, Government encouraged the enlargement of the reservoir and insisted upon a dual carriageway with a 24 ft. road reserve through the centre of the development. As so much money had to be spent "up front" on the infrastructure, the viability of the project depends upon its full utilisation.

Conclusion

6. Option 1 relates directly to the 1976 transaction and the original MLP No.3.5 whereby the public works and community facilities were included in the permitted gross floor area of 6.6 million sq.ft. (613,155 m²). This would be difficult to enforce now in view of MLP No.4.0 and its subsequent revisions and would obviously be strongly resisted by the Company.

7. Option 2 relates to MLP No.4.0 and its subsequent revisions whereby the public works areas of 15,794 m² were excluded from the overall permitted gross floor area of 6.6 million sq.ft. and reflects the present position shown on the current MLP No.5.2 (to be correctly converted from imperial to metric i.e. 6,550,000 sq.ft. = 608,510 m² not 607,000 m²).

8. Option 3 seeks to exclude the community facilities in addition to the public works areas in Option 2, from the overall permitted gross floor area of 6.6 million sq.ft. (613,155 m²). Whilst it must be recognised that in any development of this nature, there must be a certain amount of community facilities to be provided, and in this case there is a school plus Government facilities in the Fire and Police Station, it is arguable whether these should be accountable in the overall permitted gross floor area of 613,155 m² (6.6 million sq.ft.). However, the value of the increased gross floor area between Options 1 and 2 (4,645 m²) worth approximately \$11.6 million in premium terms is offset against the cost of constructing the increased school facilities alone of 12,393 m² (15,180 m² in MLP No.5.3 against 2,787 m² in MLP No. 3.5) which would cost over \$24 million excluding fitting-out costs.

9. Whichever of the options are now considered appropriate, given the history of this development, will be shown on the next revision of the MLP. This figure will then form the basis for future negotiations over the premium to be charged for any further increase in the permitted gross floor area. Any subsequent increases made in respect of the public works areas and community facilities will not then be a factor which needs to be taken into account, as has been the case with the recreational facilities. If the recommendation is agreed, then this could be reinforced by a modification of the Conditions of Exchange.

Buildings & Lands Department

May 1987

Submitted by PGLA/S - GLA/HK

DOCUMENT SUMMARY

Document Id: 1354L
Document Name: BLD 1/19/PL/82 XI
Operator: pk
Author: TM/pk
Comments: L.385 DD 352 Dis.Bay

STATISTICS

OPERATION	DATE	TIME	WORKTIME	KEYSTROKES
Created	05/19/87	15:12	1:30	10010
Last Revised	/ /	:	:	
Last Printed	05/19/87	16:44		
Last Archived	/ /	:	onto Diskette	0048L
Total Pages:	5	Total Worktime:	1:30	
Total Lines:	156	Total Keystrokes:	10010	

Pages to be printed 5

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