

**For information
on 28 March 2006**

**LEGISLATIVE COUNCIL PANEL
ON PLANNING, LANDS AND WORKS**

**Reviewing the Application List System
and the need or otherwise to resume scheduled land auctions**

Purpose

This paper provides Members with information on scheduled land auctions and the enhanced operation of the Application List system. It also sets out the Administration's position in response to the suggestion to resume scheduled land auctions.

Land supply

2. Our policy objective is to ensure the healthy and stable development of the property market. Our policy is to provide adequate land to meet the development needs of our community.

Scheduled land auctions

3. Sale of Government land by way of auction has a very long history. Our research shows that the first land auction was held in 1841. Take the period from 1998 to 2002, the Government announced a land sale and development programme each year.

4. In the late 1990s, the property market experienced a downturn. Firstly, scheduled land auctions proceeded regardless of market sentiments or whether developers were interested in bidding. In other words, the supply of land is not market-driven. Secondly, even if developers had interest in a specific site in the land auction programme, they had to wait until the concerned site was put to auction. The timing of the land supply is also not market-driven. The supply of land under scheduled land auctions does not lend itself to matching developers' demand for land both in terms of quantity and time. It is arguably not conducive to the stable development of the property market.

Suspension of scheduled land auctions

5. Following the Asian financial crisis, land sale was suspended for nine months from 22 June 1998 until 31 March 1999. Operation of the land sale system was resumed on 1 April 1999. At the same time, the Application List system was introduced in parallel with scheduled land auctions. The combination of the land auction programme and the Application List system was introduced to enable the market to determine the optimal amount of land to be made available for disposal and the timing for releasing additional land. It also provided flexibility which helped the Government to achieve its objective of fostering a stable

property market.

6. The Secretary for Housing, Planning and Lands delivered on 13 November 2002 a Statement on Housing Policy, repositioning the housing policy and stating that land supply should be determined by market demand. Therefore, the Government decided that scheduled land auctions should be stopped. At the same time, having regard to the situation that the market had lost its equilibrium and afflicted with a massive over-supply, the Government also decided to suspend the Application List System until the end of 2003. Thereafter, the supply of new land would only be triggered from the Application List. On 15 October 2003, the Secretary for Housing, Planning and Lands announced that the operation of the Application List would resume in January 2004. On 9 January 2004, the Director of Lands announced the 2004-05 Application List, and sale of Government land officially resumed.

The Application List system

7. Under the Application List system, the Government announces an Application List for sale of government land each year. A developer interested in any site on the Application List may submit an application to the Government for consideration. The applicant must offer a minimum price to purchase the site and pay a deposit. At the

time when it was resumed, if the price offered by the applicant met the Government's assessment of the open market value, it would be accepted as a trigger to initiate an auction or tender.

Fine-tuning the Application List System

8. To facilitate triggering of sites from the Application List, we have enhanced the operation of the Application List system. Improvements measures were introduced in March and in June 2005. These include -

Measures announced on 4 March 2005

- (a) To simplify the deposit requirement by applying a simple rate of 10% of the bid price of the site, with the deposit subject to a maximum of \$50 million;
- (b) To require the formal Agreement with deposit to be submitted together with the initial application to trigger a site (thus achieving a saving of two weeks);
- (c) To shorten the period of public notice from three weeks to two; and
- (d) To announce, on a monthly and site specific basis, the number of unsuccessful applications on Lands Department's web site.

Measure announced on 21 June 2005

- (e) To accept as a trigger to initiate an auction or a tender when a bid reaching at least 80% of the assessed Open Market Value (OMV) of the site.

Current situation

9. Since the resumption of the operation of the Application List system in January 2004, nine lots were sold, fetching a total premium of about \$30 billion. Of these, three lots were triggered and sold after the introduction of the improvement measures.

The Government's Position

10. We firmly believe that land supply should be market driven and the property market should be allowed to determine flexibly the quantity and timing of land supply. In this respect, we have reiterated that the supply of new land would continue to be triggered from the Application List. A clear and predictable policy is essential for the development of the property market. Maintaining a healthy and stable property market is in the overall interest of the community. At present, the Government has no plan to resume scheduled land auctions.

11. We should note that apart from the Application List,

developers can also acquire land for residential and commercial developments through other channels. For example, they can purchase land in the open market, acquire and assemble existing property for redevelopment, modify the land lease for the land they hold for development (through lease modification and land exchange), and participate in property development projects undertaken by the two railway corporations and the Urban Renewal Authority (URA). According to the latest information on residential property market, there are some 55 000 unsold flats or under construction in the market. Therefore, there will be adequate supply of land and private residential flats in the coming few years.

12. As for the suggestion of conducting limited-scale scheduled land auctions for commercial/business sites, we will listen carefully to the views of the stakeholders, LegCo Members and the community in giving consideration to this suggestion.

Allegation of “high land price policy”

13. There have been continued allegations about a so-called “high land price policy”. The allegation is unfounded. The supply of land is largely market driven and there are sufficient supply of land for development, through the Application List, from private market by way

of redevelopment of existing properties, through lease modification / land exchange of land owned by developers, and by participation in property development projects of the two railway corporations and the Urban Renewal Authority.

Supply of land and residential properties – release of information

14. We are mindful that residential property serves to satisfy the housing needs of Hong Kong people, and represents a major investment for families in Hong Kong. In this respect, the Housing, Planning and Lands Bureau will continue to monitor the supply of residential flats in the market. Comprehensive information regarding housing supply is compiled for release once every three months with a view to monitoring closely the state of the property market. The housing statistics is also published on HPLB's web site to help members of the public and the property trade to understand better and clearer the housing supply situation and make informed decisions.

15. In respect of land supply, the Director of Land announced on 17 March 2006 the 2006-07 Application List which comprises a total of 45 sites (see annex). Twenty eight (28) are rolled-over sites and 17 are new. They comprise 33 residential sites and 12 business/commercial sites. Depending upon the final development to be undertaken, it is

estimated that the residential sites, with a total area of about 29.6 hectares, can produce around 14,000 flats. Ten of the residential sites are located on Hong Kong Island, 9 in Kowloon and 14 in the New Territories and outlying islands. The 12 commercial/business sites, with a total area of about 8.7029 hectares, are located in area as diverse as Central, Kowloon Bay, Tsuen Wan, Tin Shui Wai, Sai Kung, Shatin and Kwun Tong. Seven of the twelve sites may also be readily developed for hotel use, and the remaining may be allowed for hotel use subject to planning permission. We have included in the new Application List more small sites to facilitate participation by small developers and to provide more choice of developments to the market. There are 18 sites with site areas smaller than 0.5 ha. Sites suitable for luxury residential developments are also included: sites in Broadcast Drive, Valley Road, Borrett Road, Mt. Nicholson Road, Repulse Bay Road, Pak Shek Kok etc. We believe the new Application List offers a suitable mix of sites which will be of interest to developers and able to meet the development needs of the community.

Presentation

16. Members are invited to note the content of this paper.

Housing, Planning and Lands Bureau
18 March 2006

Land Sale Programme
List of Sites for Sale by Application
(Application List)
April 2006 to March 2007

17 March 2006

Lot No	Location	User	Site Area (ha) (about) (Note 1)	Estimated Earliest Site Available Date (Note 2)
<i>Rolled Over Sites</i>				
RBL 1159	Peak Pavilions, 12 Mt. Kellett Road, The Peak	Residential R3	0.7353	Now
CWIL 175	Lin Shing Road, Chai Wan	Residential R1	0.2080	Now
NKIL 6306	1 Ede Road, Kowloon Tong	Residential R3	0.2399	Now
NKIL 6423	3 and 5 Ede Road, Kowloon Tong	Residential R3	0.3528	Now
TSWTL 26	Area 108A, Tin Shui Wai	Commercial	0.6500	Now
RBL 1165	Near 110, Repulse Bay Road	Residential R3	0.4250	Now
RBL 1168	Near 35 South Bay Road	Residential R3	0.1460	Now
TPTL 166	Po Heung Street, Tai Po	Residential / Commercial (Including Public Car Park)	0.3325	Now
TWTL 393	Yeung Uk Road, Tsuen Wan	Commercial	1.4160	Now
KIL 11146	Site E/A3, Hoi Fai Road, West Kowloon Reclamation (Site B1)	Residential R1	1.1353	Now
IL 8872	Hospital Road, Hong Kong	Residential R1	0.0573	Now
TMTL 422	Area 58, Tuen Mun (Ex-Pearl Island Quarters)	Residential R3	1.5030	Now
Lot 1848 DD Cheung Chau	Sai Wan, Shui Hang, Cheung Chau	Residential R4	1.0382	Now

Lot No	Location	User	Site Area (ha) (about) (Note 1)	Estimated Earliest Site Available Date (Note 2)
NKIL 6311	J/o Sheung Yuet Road, Wang Tai Road & Wang Yuen Street	Business	0.2579	Now
Lot 2129 DD 121	Ping Kwai Road, Ping Shan, Yuen Long	Residential R3	0.6076	Now
NKIL 6313	J/o Cheung Yip Street & Sheung Yee Road	Business	0.3795	Now
TLTL 68	Tsing Lung Tau, Tsuen Wan (Dragon Villa)	Residential R3	0.2076	Now
STTL 548	Area 77, Ma On Shan	Residential R2	1.6440	Now
TPTL 188	Pak Shek Kok Reclamation Phase I, Site C	Residential R2	1.9902	Now
TPTL 187	Pak Shek Kok Reclamation Phase I, Site A	Residential R2	1.0028	Now
KIL 11073	J/O Hoi Wang Road, Yan Cheung Road and Yau Cheung Road, West Kowloon Reclamation	Residential R1	0.8060	Now
IL 8949	21, 23 And 25 Borrett Road, Mid-Levels West	Residential R2	1.0488	Now
IL 9007	103 Mt. Nicholson Road	Residential R3	2.3290	Jul-2006
AIL 451	Welfare Road, Aberdeen	Residential R1	0.6403	Aug-2006
IL 8941	Central Market, Jubilee Street, Central	Commercial	0.4110	Sep-2006
Lot 1950 DD 221	Sai Kung Town, Area 4	Commercial	1.7940	Feb-2007
IL 8920	Ex-Government Supplies Depot, Oil Street, North Point	Residential / Commercial	1.4667	Planning Brief Under Preparation
IL 8914	Ex-Hollywood Road Police Quarters	Residential R1	0.5818	Planning Brief Under Preparation

Lot No	Location	User	Site Area (ha) (about) (Note 1)	Estimated Earliest Site Available Date (Note 2)
<u>New Sites</u>				
Lot 246 DD 331	Cheung Sha, Lantau Island	Residential R4	0.2240	Jun-06
TMTL 449	Area 58, Tuen Mun (Tsing Fat Street)	Residential R3	1.7040	Jul-06
NKIL6374	1 Broadcast Drive	Residential R2	0.6080	Sep-06
STTL 433	Junction of On Kwan Street and On Yiu Street, Area 11, Sha Tin	Business (incl Public Storey Carpark)	0.8530	Sep-06
KIL 11184	Ex-Ko Shan Road Customs & Excise Service Married Quarters, 7 Ko Shan Road, Homantin, Hung Hom, Kowloon	Residential R1	0.1880	Oct-06
NKIL 6309	Ex-Wong Tai Sin Police Quarters, 3 Chun Yan Street	Residential R1	0.9470	Oct-06
FSSTL 225	89-95 San Fung Avenue, Shek Wu Hui, Sheung Shui	Residential / Commercial	0.0306	Oct-06
TPTL 195	Former Departmental Quarters, Plover Cove Road, Tai Po	Residential / Commercial	0.2685	Oct-06
NKIL 6195	Cha Kwo Ling Road, Kwun Tong	Commercial	0.4878	Oct-06
Lot 676 DD Peng Chau	Peng Chau	Residential R3	0.4640	Dec-06
STTL 463	Junction of On Kwan Street and On Yiu Street, Area 11, Sha Tin	Business	0.7190	Dec-06
Lot 245 DD 331	Cheung Sha, Lantau Island	Residential R4	1.6600	Jan-07
Lot 1176 DD 215	Tui Min Hoi, Sai Kung	Commercial	0.1699	Feb-07
NKIL 6269	Junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road, Kwun Tong	Business	0.7127	Feb-07

Lot No	Location	User	Site Area (ha) (about) (Note 1)	Estimated Earliest Site Available Date (Note 2)
KIL 11175	J/O Fat Kwong Street and Chung Hau Street, Homantin (Ex-Valley Road Estate Ph 2)	Residential R1	1.6291	Mar-07
TCTL 22	Tung Chung Area 56, Lantau Island	Residential R2	3.3337	Mar-07
NKIL 6314	Junction of Kai Cheung Road and Wang Kwong Road, Kowloon Bay	Commercial	0.6623	Mar-07

Sites rolled over from 2005/2006 Application List are shown in **orange**.

Note:

1. Site areas quoted above are for reference only. Interested parties shall refer to the respective Conditions of Sale for each of the sites for full details.
2. Application for sale of sites shall be submitted not more than two months before the 'estimated earliest available date' as specified. This date is an estimate of the earliest date only and subject to change.
3. Interested parties may apply to the respective District Lands Offices to enter into the above sites for site investigation purposes at the time when the draft Special Conditions of Sale are available.
4. Applicants shall refer to the Explanatory Note on the Procedure for Land Sale under the Application System when making application. The Explanatory Note can be downloaded from Lands Department Webpage (Web Site : <http://www.info.gov/hk/lands/>) or obtained from Lands Department Headquarters (Address: 20/F, North Point Government Office, North Point).