

Executive Summary



The issue of land and housing is fundamental to citizens' well-being, social stability and harmony, as well as Hong Kong's long-term competitiveness. Currently, insufficient land supply to meet people's pressing housing needs has been plaguing Hong Kong. To tackle the problem of land shortage, the Government established the Task Force on Land Supply (the Task Force) in September 2017. The Task Force has identified 18 short-to-medium, long term and conceptual land supply options and launched public consultations in April 2018.

2. However, the society cannot solely rely on seeking land supply to meet the housing demand. Currently, the process of land production is tedious and lengthy. It takes approximately 11 to 14 years to go through stages from 'potential sites' to 'disposable sites/lands'. For large-scale development projects, such as developing New Development Areas, the time required may even be longer. Therefore, if Hong Kong does not have a set of comprehensive and effective land and town planning and land administration policies, any short-to-medium land supply options to expedite the land production process would render unachievable.

3. In view of the situation, the Bauhinia Foundation Research Centre (the Centre) aims to comprehensively review and analyse the relevant policies involved in land production cover over six major policy areas (including land and town planning, land resumption, compensation for land resumption, lease modification, land exchange and land premium policies). Based on the principles of fairness, transparency, efficiency and effectiveness, the Centre will assess the above-mentioned policies and provide feasible policy recommendations to perfect relevant policies, with the aim of enhancing land production efficiency and releasing development potential of lands for housing.

4. Among the 18 land supply options, 'tapping into the private agricultural land reserve in the New Territories' and 'more new development areas in the New Territories' straddle the aforementioned land production procedures and relevant policies. From the perspective of optimising land resources in the New Territories, the Centre will focus on analysing the potential and the role of these two options and provide policy recommendations accordingly. In sum, with the aim to alleviate



and address demand for land supply for housing, the Centre hopes to provide alternatives that may enrich society's discussion through this research, so that the city will be more livable, harmonious and stable, and eventually enhance its long-term competitiveness.

Research Objectives

5. The main objectives of the research are:
 - (1) Based on the principles of fairness, transparency, efficiency and effectiveness, to review and analyse land and town planning and land administration policies, to evaluate the difficulties and challenges throughout the process, and to provide feasible policy recommendations; and
 - (2) From the perspective of optimising land resources in the New Territories, to analyse two selected land supply options namely 'tapping into the private agricultural land reserve in the New Territories' and 'more new development areas in the New Territories', to evaluate their potentials and roles in land supply for housing, and to provide feasible policy recommendations.

Key Findings and Recommendations

6. Based on the research findings, and guided by the principles of fairness, transparency, efficiency and effectiveness, the Centre has put forward nine recommendations to enhance the land and town planning and land administration policies.

(1) Land and Town Planning Policy

Findings 1 and 2

Lack of sustainable land use planning

Plot ratio is relatively low in the New Territories

7. Land use and town planning is closely related to sustainable development. The Government has proposed plenty of planning visions and development strategies over the years, however, affected by the ever-changing market and other external factors, e.g. the Asian Financial Crisis, there were twists and turns in the housing policies in the early 2000s, relevant policies have



difficulty sustaining. As a result, housing supply had been disrupted for a while. The Government has adopted a planning concept of 'demand-led approach' in urban development in the past. Lacking reserve capacity, the Government might not be able to encounter various uncertainties in the future, with a scenario of our transport infrastructure lagging far behind the growth in population emerges. In regard to the land use planning and development in the New Territories, the plot ratio is constrained by inadequate provision of supporting infrastructure. Consequently, the low plot ratio limits the housing supply and thus restricts the development potential in the area.

Recommendation 1

Reserve land for deployment: Introducing land reserve mechanism to secure a steady and sufficient supply of land for the future

8. The Centre believes that the Government should be forward-looking in planning, formulate a land supply for housing policy with the concept of 'capacity-creating', and retain flexibility for future development. To ensure policy continuity, the Centre suggests the Government taking the lead in planning, and establish a land reserve mechanism. Under this mechanism, land sources should be diverse; land use should be target-oriented and flexible; and land management should be systematic. Moreover, the Government can set the land production targets under the short, medium and long term and concept plans, including the land reserve size, quantity and corresponding timetable, and keep the plans up-to-date through regular reviews to provide steady and sufficient land resources for the future and to deliver the planning visions.

Recommendation 2

Optimising Land Use: Developing Infrastructures to release the potential of lands and optimise the plot ratios permitted in the New Territories

9. The Centre proposes the Government to enhance the usable capacity of the land in the New Territories to cope with the growth of population and housing demand, and to respond to urgent housing needs of the community. Specific practices include the expansion of transport and infrastructure facilities, such as



railway stations or other major transport interchanges, and the adoption of site-specific design to carry out site formation works in order to capitalise the optimal development potential of the land in the New Territories.

Findings 3 and 4

Increasing workload of Town Planning Board Lack of effective coordination in districts

10. The workload of Town Planning Board ('TPB') is getting increasingly heavy, apart from vetting applications for amendment according to statutory planning procedures, TPB also handles a large amount of related representations and comments received from the public. With planning concepts differ on philosophy and interests, it may engender conflicts easily. Although our community is becoming more aware of our planning and development matters, under the existing arrangement, there is no mechanism to help communicate and liaise with various stakeholders. Moreover, TPB is required to complete the statutory planning process within a statutory time limit. In light of the shortage of manpower, TPB is unable to operate effectively without compromising the quality approval.

Recommendation 3

Meritocracy: Introducing self-recommendation scheme to enhance town planning's efficiency and effectiveness

11. To enhance the quality and efficiency of town planning, the Centre proposes to introduce a self-recommendation scheme, allowing members of the public to self-nominate to become members of the TPB to assist in planning matters. This will also encourage the public to participate in the planning process and strengthen the credibility of the Board. The Centre believes that the self-recommendation scheme should recruit people with different professional knowledge in compliance with the principles of meritocracy, equal opportunity, openness and transparency. To make the self-recommendation scheme more effective, a Selection Committee can be set up to (1) develop recruitment and selection mechanisms, including application qualifications, assessment criteria, number of seats to be offered, etc., for selecting suitable candidates with the expertise needed by the TPB; and (2) supervise the operation of the self-recommendation scheme and set a review timetable for assessing the

effectiveness of the self-recommendation scheme.

Recommendation 4

Concerted efforts: Introducing 'Planning Coordination Committee' to strengthen connections in districts

12. The Centre proposes to introduce 'Planning Coordination Committee' under TPB, to act as a 'coordinator' for enhancing connections in districts and mediating conflicts. Through the self-recommendation scheme mentioned above, members of the public can self-nominate themselves to become members of the Committee, i.e. 'as a coordinator', to assist in facilitating communications among those who file applications for change, the affected persons and related government departments, and better understand the community needs. The Selection Committee will be responsible for the selection of the coordinators. In the design of the selection mechanism, the coordinators are required to have good communication skills and certain experience in districts. The Centre believes the proposed Committee will strengthen the communication between stakeholders, making the planning further in line with the needs of the districts and reducing the potential resistance. Under the self-recommendation scheme, the coordinators can also bring the voices of the community into the Government from the bottom up to narrow the differences, creating an environment of social inclusiveness, open-mindedness and supporting civic participation.

(2) Land resumption and compensation policy

Findings 5 and 6

Full-scale land resumption causes disputes easily Compensation arrangements crucial to land resumption

13. Having gone through the due process of planning procedures, the Government may acquire privately owned land by invoking the Lands Resumption Ordinance for public purposes, including public works construction, development projects for new towns and public housing. Those affected by the resumption should also be duly compensated. In the past there were substantial precedents for land being resumed, but when it came to acquiring large plots, the Government might encounter more difficulties, including to strike a balance between public



interest and the principle of respecting private land ownership. To this end, the Government must have relevant 'public purpose' established before exercising power to resume private land. The legality and rationality of land resumption or the negotiation of a compensation package, which usually would take time to resolve, may result in judicial proceedings. In the event of such challenges, the progress of land resumption will further be impeded.

Recommendation 5

Resuming land by law: Adopting a planning-oriented, Government-led approach for partially resuming lands and smoothing the way forward

14. The Government has no grounds or rights to acquire any private land before a public purpose is established according to the Lands Resumption Ordinance. In view of this, the Centre recommends the Government to take the lead for town planning by formulating statutory plans for lands with development potentials, thus to establish the legality of land resumption. Specifically, when it comes to new development projects, the Government should adopt a comprehensive planning-oriented approach to exercise the power of requiring some plots of private lands for public purposes, including building subsidised housing, infrastructures and ancillary facilities. The land being resumed should conform to the planning intention to avoid possible legal proceedings, the Centre considers it feasible to resume land partially for a master planning after striking a reasonable balance between the societal benefits and respect for private property rights. In the long run, it deems necessary to have a mechanism in place for reserving land.

Recommendation 6

Special offers for relocation: Introducing an 'Early Mover Allowance' as a financial incentive to expedite land acquisition

15. To speed up the progress of land resumption, the Centre proposes introducing an 'Early Mover Allowance Scheme', providing an extra payment on top of existing compensation arrangements. Eligible occupants affected by land resumption will be entitled to receive the one-off special removal allowance,



together with an amount of ex-gratia compensation or allowances. Under the scheme, the eligibility criteria and principles for assessing the actual amount should be based on the established compensation policy; details of the criteria, principles and procedures involved in the compensation arrangement should be transparent for public monitoring. It is hoped that by introducing the new scheme, occupants could be incentivised to relocate to new homes early and the progress of land resumption could be accelerated.

(3) Lease modification, land exchange and land premium policy

Finding 7

Lease modification procedures tedious and inefficient Difficult to expedite land supply for housing

16. Landowners intend to change the land use (including land exchange) for residential development have to file applications to the Government for approval. Lands Department and its District Lands Offices are responsible to process the lease modification applications. Landowners have to produce the required documents supporting their applications, where necessary, they have to provide clarifications to relevant departments. The current approval process is time-consuming and tedious. Lacking sufficient manpower and a dedicated team to manage the application matters, it is difficult to enhance the efficiency of the approval process and expedite land supply for housing practically.

Recommendation 7

To facilitate the process in a more efficient way: Setting up a dedicated team to handle lease modification and land exchange applications

17. To enhance the efficiency in handling land administrative issues and expedite land supply, the Centre proposes to set up a dedicated team within the District Lands Office of Lands Department to centrally process lease modification and land exchange applications; facilitate the communication between the applicants and the departments that process applications, so as to reduce the case processing time and enhance the efficiency of development approval. In



the long run, the team should streamline the existing arrangements and draw on successful experiences to develop a set of best practice for reference, and establish quantifiable improvement targets to evaluate performance (such as shortening the time for vetting applications).

Findings 8 and 9

Land premium assessment lacks transparency Arbitration Scheme not appealing

18. Once lease modification is being granted, the landowner has to pay land premium that reflects the difference between the 'before' and 'after' land value. Since land lease is a private contractual agreement between the Government and the landowner, to protect both parties' interests and honour the spirit of contract, information such as the calculation of and the basis for charging the land premium as well as the negotiation process will not be disclosed. Nevertheless, revenue generated from land premium is an important source of income for the Government. Lacking transparency in premium assessment makes it difficult for public monitoring. With a view to reaching an agreement on land premium as soon as possible, the Government introduced the Pilot Scheme for Arbitration on Land Premium in 2014, yet only one case has been completed so far. Landowners find the scheme unappealing and are unwilling to pursue arbitration through this channel. As a result, it fails to achieve the desired effect of unlocking land supply for housing in an efficient manner.

Recommendation 8

Make information accessible to public: Establishing a lease modification and land exchange database to enhance the transparency of the mechanisms

19. To strike a balance between contract spirit and public interest, the Centre recommends the Government to establish a lease modification and land exchange database, so as to release to the public more information on lease modification, land exchange and land premium including the calculation of land premium and the negotiation process (such as valuation records, number of appeals and related justifications). It would seem desirable to build up a set of general principles of data disclosure (covering convenience, timeliness, accuracy,



and roles in providing land supply for housing, and putting forward four policy recommendations accordingly.

(1) 'Tapping into the Private Agricultural Land Reserve in the New Territories' (Public-Private Partnership model)

Findings 10 and 11

Public-Private Partnership model lacks coordination and supervision

Partnership model seen as a means of transferring benefits

22. Private developers are believed to be holding no less than 1,000 hectares of agricultural land, which has considerable potential to develop affordable housing in the New Territories. Should there be a well-designed implementation plan and an effective mechanism in place for monitoring, the Government may form a partnership with developers by providing them with incentives, with a view to utilising their land for building private and affordable housing. However, in the absence of public scrutiny, such partnership model has given rise to public query that transfer of benefits between the Government and the developers might be involved. Moreover, the implementation of Public-Private Partnership ('PPP') projects involves different policy areas. It is necessary to coordinate the actions and responses of different government departments, experts and relevant stakeholders, yet there is currently no such coordination mechanism in place. To ensure effective implementation of PPP to facilitate housing development, it is essential to strengthen the overall coordination to ensure that the project design, implementation and monitoring are conducted openly and fairly. The Centre believes should the Government put all project stages under a 'sunshine policy', it will help allay public concern.



Recommendation 10

A 'sunshine policy' warranted: A PPP Team under PICO to coordinate and monitor PPP pilot project

23. The Centre recommends that a PPP Team be set up under the Government's Policy Innovation and Coordination Office (PICO), which is responsible for coordinating, researching, facilitating cross-departmental collaboration and monitoring PPP housing development. To ensure that the project is being properly monitored, cross-department and inter-disciplinary members should be engaged to discuss project issues. Initially, the PPP project should be launched as a pilot scheme. The Government should review the effectiveness of the project and areas for improvements after the project has come into operation for a while. If this PPP model is proved to be effective after review, the Government could consider setting up a 'PPP Authority' by way of legislation in the long run. PPPs administered by PPP Authority could help enhance transparency and restore public confidence.

Recommendation 11

Land use must be for public benefit: PPP for public purpose is a priority in meeting people's pressing housing needs

24. Since demand for subsidised housing is high, the Centre recommends that the Government should put public purpose as its first priority when initiating PPP for housing development. Apart from providing private housing, the Government should reserve a larger portion of land to construct subsidised housing and public facilities, which include a certain proportion of 'Starter Homes' units, transportation infrastructure and community facilities, in order to meet the urgent needs of the people. The split of 60:40 between public and private housing supply should at least be maintained, and the actual ratios should depend on the development site and the surrounding environment. In addition, some subsidised housing should be built close to the railway stations or integrated public transport facilities to make people's life more convenient.



(2) More New Development Areas in the New Territories

Findings 12 and 13

Lack of coordination in New Development Areas City's livability needs to be enhanced

25. Since the 1970s, the Government has developed nine new towns in total to meet the housing needs of a growing population. In the future, the major infrastructure projects in the New Territories will include the North East and North West New Territories New Development Areas (NDAs), as well as the key strategic area in the New Territories North, are considered having good potential for planning and development. The total area is about 1,666 hectares with an estimated population of 730,000, which would be crucial to housing and economic development. In light of past experiences, the Government's coordination had played a key role in implementing planning objectives and facilitating the development of new towns. However, the guiding principles of previous new towns, namely 'self-containment' and 'balanced development', will not be fully adequate to enhance the livability of the city. Therefore, the development of NDAs needs to adopt a visionary and people-oriented approach to create a livable city for the future.

Recommendation 12

Cross-sector cooperation: Re-tooling New Territories New Development Area Office to lead and coordinate NDAs and new town extension projects

26. The Centre recommends setting up a multi-disciplinary office under the Development Bureau to steer, coordinate, monitor and hold public consultations regarding the development of NDAs in the New Territories. Sub-offices, for example, the Fanling North/Kwu Tung North District Office and Potential Development Areas District Office, taking charge of different development projects will be set up under the proposed office. Members of the proposed office should invite departmental staff from different grades and external experts from multi-disciplinary professions to assist in planning and implementation, so as to ensure a smooth and efficient development process that is in alignment with the planning visions.



Recommendation 13

People-oriented: Building a 20-minute social neighbourhood to create a walkable, convenient and livable city

27. The Centre recommends adopting a people-oriented approach to develop NDAs in the New Territories. Apart from the guiding principles of 'self-containment' and 'balanced development', there should also be cultural, recreational and ecological considerations, so as to create green and blue networks and make the city a vivid cultural area. A concrete action plan is needed to integrate these considerations with everyday practices. Therefore, the Centre recommends the '20-minute social neighbourhood' to be covered under the Hong Kong Planning Standards and Guidelines to achieve synergy effect. Since the planning of public facilities is compatible with the layouts, the proposed action plan would allow citizens to use different communal facilities and services and enjoy the city's cultural and natural features within 20 minutes of walking. The '20-minute social neighbourhood' aims to create a physically and mentally healthy lifestyle in a walkable, convenient and livable city.

Concluding Remarks

28. People living in contentment is fundamental to social harmony, and Government should be determined to adopt a multi-pronged strategy to release land resources, in particular, to optimise those in the New Territories, and expedite the development of land supply for housing. In tandem with discussions on those land supply options, the importance of land and town planning and land administration policies in facilitating the land production process should not be understated. After balancing the interests and needs of different stakeholders, the Centre provides policy recommendations under the principles of fairness, transparency, efficiency and effectiveness, so as to improve the aforementioned policies. Ultimately, the Centre hopes that the Government and different sectors of the society can work hand in hand to realise Hong Kong's vision of becoming a livable, competitive and sustainable city in the future.