

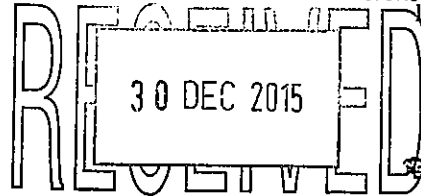
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President  
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Hong Kong

30 December 2015

Dear Sr LAU,

**The Hong Kong Institute of Surveyors (HKIS) -  
Land Supply Policy Discussion Forum**

The Secretary for Development has asked me to thank HKIS' letter of 20 August 2015 summarising the recommendations and views on land supply collected at the captioned discussion forum on 6 July 2015, and to reply to you on his behalf.

Supplying Hong Kong with adequate land that it needs to house our growing population, to ensure a sufficient provision of facilities, and to support Hong Kong's continued economic and societal development, tops the policy agenda of the current-term Government. As HKIS is well aware of, given the significant slowdown in land planning and development in the last decade owing to financial crises and economic downturn, we are now pressing ahead full steam to catch up under a multi-pronged land supply strategy, so as to meet the pressing housing demand, and various social and economic needs of the community.

### *Short to Medium Term*

To increase Hong Kong's land supply in the short to medium term, we have to make more optimal use of the developed areas in the existing urban areas and new towns, as well as nearby land in the vicinity of existing infrastructure, through land use reviews and increasing development intensity as appropriate. With our dedicated efforts, some 150 potential housing sites have been identified for providing over 210,000 housing units (with over 70% for public housing), subject to the timely amendments to statutory plans and completion of relevant works and procedures. Their rezoning is the key to achieving the 10-year housing supply target, and the support and understanding rendered by the community especially our professionals is crucial.

Among the said some 150 potential housing sites, there are about 70 Green Belt (GB) sites with a total area of over 150 hectares, or only about 1% of the total area of land zoned GB over the whole territory, which are considered appropriate to be rezoned for residential use, capable of providing over 80 000 public and private housing units (with over 70% for public housing). While some are vegetated, these GB sites have relatively low conservation value and buffering effect. As these sites are close to existing built-up areas, supporting infrastructural facilities, including transport, water supply, sewerage, etc., they are considered suitable for urban expansion and have good potential to be rezoned for housing purpose. In short, our priority is to rezone the said suitable GB sites, and the current-term Government has no plan to develop country parks for housing purpose.

To optimise the use of our developed areas, we will also increase the development intensity of suitable housing sites as appropriate. We announced in the 2014 Policy Address that except for the north of Hong Kong Island and Kowloon Peninsula, which are already densely populated, the maximum domestic Plot Ratio (PR) that can be allowed for housing sites located in other Density Zones of the Main Urban Areas and New Towns would be raised generally by about 20% as appropriate. The increase in the maximum domestic PR of a housing site, no matter it is in the urban areas or outskirts of new towns, will continue to be subject to relevant planning principles and considerations, and will be pursued when there is scope in

terms of development capacity, and the various constraints and impacts so arising, if any, could be addressed or mitigated through appropriate measures.

### *Medium to Long Term*

In the medium to long term, we are taking forward as expeditiously as possible a number of major land development projects through comprehensive planning, including but are not limited to New Development Areas (e.g. Kwu Tung North, Fanling North and Hung Shui Kiu) and extension of new town (e.g. Tung Chung New Town Extension); review of deserted agricultural land and brownfield sites (e.g. Yuen Long South); developing the New Territories North and Lantau; exploring reclamations outside Victoria Harbour; as well as cavern and underground space developments, etc. These long-term projects will be our foci in meeting future population growth, sustaining economic developments, and improving people's living space and environment.

For instance, reclamation in Hong Kong has been an effective way to supply land for development. Under the study on Enhancing Land Supply Strategy, the Civil Engineering and Development Department has identified five potential near-shore reclamation sites (i.e. Sunny Bay, Siu Ho Wan, Lung Kwu Tan, Ma Liu Shui and Tsing Yi Southwest) and possible artificial islands in the central waters. In particular, we see huge potential in developing an "East Lantau Metropolis" (ELM) on reclamations in the central waters between Lantau and Hong Kong Island for sustainable population and economic growth of Hong Kong in the long run. Apart from housing land, with the provision of convenient transport links to the main urban areas, as well as Lantau Island and further to New Territories West, ELM can accommodate a third Core Business District (CBD) for Hong Kong with critical mass for office, hotel and other commercial developments, providing business enterprises an alternative locational choice in the western part of the territory other than the traditional CBD and Kowloon East.

### *Streamlining Premium Assessment Process*

The Government also endeavours to streamline and expedite the various processes having regard to the views of stakeholders and practitioners in the relevant fields, while upholding the principles and policy objectives that the relevant regimes are set up to achieve. For instance, the Lands

Department (LandsD) will continue to dedicate efforts into streamlining the lease modification/land exchange procedures.

*(a) More Promotion of the Pilot Scheme for Arbitration on Land Premium*

We have been outreaching to stakeholder groups, including HKIS, to promote the Pilot Scheme by providing information on the Pilot Scheme for Arbitration on Land Premium. Details on the Pilot Scheme are available on LandsD's website. We will continue to publicise during the two-year trial period, and should be grateful for HKIS' continued support in raising awareness amongst HKIS members. In parallel, LandsD will continue to select suitable lease modification/land exchange cases and invite relevant applicants to determine premium through arbitration.

*(b) Updating of Cost Items*

The Valuation Liaison Meeting held among LandsD, the Real Estate Developers Association of Hong Kong and HKIS is a useful forum to discuss various matters in relation to premium assessment, such as construction and marketing costs. For example, after working on the issue at the Valuation Liaison Meeting, HKIS announced in April 2014 the introduction of a "Development Cost Pro-forma" to facilitate market practitioners to estimate the building costs in land valuations, serving as a common reference and checklist for premium negotiation. In addition, the private quantity surveying consultant Rider Levett Bucknall (RLB) has also launched a Cost Advice Service (to be updated regularly) in a format commonly adopted by LandsD to which market practitioners may subscribe. To address the time lag issue, RLB has also introduced a "Provisional Construction Cost Index" mechanism so that the time lag can be shortened by one quarter, and cost data would be more updated to reflect the latest market trend. The above measures should help reduce disputes on construction costs during premium negotiation. LandsD will continue to work with HKIS and other stakeholders in this regard.

*(c) Standardisation of Premium Rates*

With regard to the standardisation of premium rates, we note that standard rates are currently used for certain types of land transactions. They are mainly confined to cases which are short-term or straightforward in nature,

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and the amount of fee/premium involved for each case is relatively small and not particularly sensitive to market variation, e.g. short term tenancies, short term waivers or licences granted on a temporary basis. Although standard rates are based on reference to market value, by their nature they are average values generally reviewed only periodically and do not represent the full market value of a particular site. Having regard to relevant factors including the nature of the standard rates; the fact that lease conditions to be modified vary significantly from case to case; and the probable outcome that only those land owners who will benefit from such standard rates would accept the offer while those who consider their premium should be lower than the standard rates would not, we are of the view that the feasibility and suitability of drawing up and applying standard rates for land premium chargeable for lease modifications/land exchanges are doubtful. Nonetheless, LandsD will continue to explore room for applying standard rates to other fees charged for land transactions.

*(d) Enhancing Communication and Re-establishment of the Modification Section*

We also note HKIS' proposal on the enhancement of communication between LandsD and HKIS. In this regard, LandsD welcomes opportunities for exchanging views with stakeholders, including HKIS, on land administration matters. Starting from the new term commencing this summer, the Land Sub-committee of the Land and Development Advisory Committee (on which HKIS is represented) will be convened more regularly at quarterly intervals. As regards the proposed re-establishment of the Modification Section in LandsD, you may appreciate that LandsD has undertaken several reviews and implemented a series of measures to streamline the administrative procedures, including the processing of lease modification and land exchange applications over the years. LandsD will continue to make its best endeavours in deploying resources to meet priority needs.

**Developing the "Comprehensive Development Area" and "Residential (Group E)" Sites**

In general, having taken into account circumstances of a specific strategic site, the Government will zone it as "Comprehensive Development Area" ("CDA") with a view to facilitating urban renewal, rearranging land

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uses, providing new opportunities for development and/or ensuring better planning arrangements through comprehensive planning and integrated development. The Town Planning Board (TPB) will, when proposing to zone a site as "CDA", take into account the planning intention of the site, the situation of the land and its ownership, the likelihood of its implementation and other development constraints, and will also closely monitor the development progress of the site after being zoned "CDA".

Similar to other land use zonings, we have been monitoring closely the planning and development situations of "CDA" sites, so as to facilitate their best planned developments. According to TPB's Guidelines No. 17 - Designation of "CDA" Zones and Monitoring the Progress of "CDA" Developments, TPB will conduct the first review of each "CDA" site at the end of the third year after its designation, and subsequently conduct a review annually. The latest round of review results was submitted to the Planning Committees of TPB for consideration on 22 May this year, and was agreed on the same day. The relevant papers have been uploaded to TPB's website for public access ([www.info.gov.hk/tpb/en/papers/MPC/534-mpc\\_4-15.pdf](http://www.info.gov.hk/tpb/en/papers/MPC/534-mpc_4-15.pdf) and [www.info.gov.hk/tpb/en/papers/RNTPC/533-rntpc\\_8-15.pdf](http://www.info.gov.hk/tpb/en/papers/RNTPC/533-rntpc_8-15.pdf)).

Generally speaking, "CDA" sites currently without approved master layout plans comprise sites at different planning stages. For example, the developers concerned might be assembling packets of the site; carrying out thorough planning studies to assess the potential impacts of the proposed development on traffic, environment and landscape, etc.; preparing the master layout plans, etc. Some other "CDA" sites fall within the areas under various on-going planning studies being undertaken by the Government, and their development will be pending the implementation of the respective land development projects so as to support a higher density development.

In order to realise the development of the "CDA" sites, TPB will, in response to the changes in land development and planning circumstances, propose to rezone suitable "CDA" sites to other land use zonings, or to subdivide them into smaller sub-zones in the planning process, with a view to expediting the development progress. A recent example is the subdivision of the "CDA" site in the Yau Tong industrial area into five smaller "CDA" sub-zones on the draft Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/22.


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You are invited to read the aforesaid paper uploaded to TPB's website. If you have thoughts in the matter and/or any particular site, please feel free to let us know.

With regard to the "R(E)" zoning, its planning intention is primarily to phase out existing industrial uses through redevelopment (or conversion) for residential use on application to TPB. While existing industrial uses will be tolerated, new industrial developments are not permitted in order to avoid perpetuation of industrial/residential interface problem. In this connection, we note the suggestion of including more compatible uses such as 'Hotel' in the "R(E)" zone, and would like to point out that 'Hotel' use is a Column 2 use under Schedule I of the "R(E)" zone for the urban and New Town areas. The use of "R(E)" sites for hotel purposes will be carefully considered by TPB upon receipt of such applications, and the proposed uses may be permitted with or without conditions having regard to the merits of the applications.

We would like to thank again for sharing with us HKIS' professional views and recommendations on land supply, and also the dedicated effort of HKIS and other professional institutes in co-organising the Land Supply Forum in October 2015. The Development Bureau looks forward to more fruitful exchanges with HKIS and professionals on the land supply issues in future.

Yours sincerely,



(Cyrus CHEUNG)

for Secretary for Development