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III. Housing and Land Supply

Challenge, Unity and Choice

49. Hong Kong is hilly and surrounded by water. Land is a scarce resource. Hong Kong people have levelled hills and reclaimed land from the sea to develop a cityscape dominated by skyscrapers and a financial centre. We have built bridges across valleys and tunnels under the sea, with highways criss-crossing Hong Kong. We have risen to the challenge and turned Hong Kong into a modern, safe, convenient and liveable metropolis. This is the remarkable success story of Hong Kong.

50. We must turn a new chapter in our success story, despite the many difficulties that may lie ahead. We cannot afford to stand still in this highly competitive world. To stand still is to fall behind, and that could leave us out of the game altogether.

51. In recent years, our urban development has taken a disturbing turn. All too often, there are wrangles over land use and infrastructure projects, leading to sluggish land development and housing shortage.

52. Shortage in the supply of housing has pushed up property prices and rental substantially. Many families have to move into smaller or older flats, or even factory buildings. Cramped living space in cage homes, cubicle apartments and sub-divided flats has become the reluctant choice for tens of thousands of Hong Kong people.

53. After the deadly fire in Fa Yuen Street, I visited a mother and her daughter living in a sub-divided flat in the vicinity. I met a youngster who slept in a box suspended from the ceiling in a flat in Sham Shui Po. I have also been told that in some factory buildings with high ceilings, the space of a storey has been converted into three-tier wooden domestic cubicles. These places are beset with problems such as poor water supply, inadequate sewage facilities, poor ventilation and, in some cases, no natural light. The problems go deeper than the need to rent living space due to unaffordable property prices. And it is not just a matter of living

in older or smaller homes. There are hygiene, health, and even safety concerns. Residents in these cubicles include both new immigrants and long-time residents of Hong Kong. Their plight has cast a dark shadow on our thriving city.

54. In the 1970s and 1980s, hillside squatter huts and rooftop structures posed health and natural hazards. Today, cage homes, cubicle apartments and sub-divided units also pose serious fire and health risks. In the old days, our housing problem was out there to be seen. Nowadays, it is hidden indoors but no less serious.

55. In the past, to address our housing problem, we developed land extensively, built many new towns, and launched large-scale public housing projects. We are proud of this success story. Yet today we see undergraduates applying for public rental housing (PRH), and the number of Waiting List applications has exceeded 200 000. Do we have the same resolve to confront today's housing problem?

56. The top priority of the current-term Government is to tackle the housing problem. We recognise that problems stemming from property prices and rental, cage homes, cubicle apartments and sub-divided units cannot be solved overnight. But we must acknowledge these problems, understand the gravity of the situation, and take the first step forward to resolve them. The Government will engage a research institution to assess the situation and to estimate the number of sub-divided units in Hong Kong. We recognise that to overcome the housing problem, the Government and I will encounter difficulties, obstacles, and resistance. We need your support, unity, and the determination in making viable choices.

Guiding Principle and Objectives of Housing

Policy

57. Some people believe home ownership is not the only way for meeting accommodation needs: it can be met just as well by rented flats. But I believe that home ownership by the middle class is crucial to social stability. The Government is therefore determined to uphold the

principle of assisting grassroots families in moving into public housing and the middle-income families in buying their own homes.

58. Our policy objectives for housing are to

- (i) assist grassroots families to secure public housing to meet their basic housing needs;
- (ii) assist the public to choose accommodation according to their affordability and personal circumstances, and encourage those who can afford it to buy their own homes;
- (iii) provide subsidised home ownership flats on top of PRH so as to build a progressive housing ladder; and
- (iv) maintain the healthy and steady development of the private property market, with priority to be given to meet Hong Kong permanent residents' needs.

Current Housing Supply

59. Supply shortage lies at the heart of the prevailing housing problem.

In the past five years, on average only 9 800 private residential flats and about 15 000 PRH flats were completed each year; the figure for Home Ownership Scheme (HOS) flats was zero. In other words, the public and private sectors on average produced only about 24 800 flats each year in the past five years. In mid-2012, the vacancy rate of private residential units was 4%, the lowest in 15 years.

60. With the concerted efforts of various departments, we have secured land for the development of about 75 000 new PRH flats over the five years from 2012-13 and about 17 000 HOS flats over the four years starting from 2016-17. The first batch of new HOS flats is scheduled for pre-sale next year. We have just put in place a scheme to allow 5 000 eligible White Form applicants to purchase on the secondary market in two phases HOS flats with premium unpaid. In a couple of months' time, we will put on sale about 830 remaining surplus HOS flats. The Greenview Villa project launched by the Hong Kong Housing Society (HKHS) will also provide 988 flats.

61. Regarding the private residential property market, we estimate that a total of 67 000 first-hand units should come on the market in the

next three to four years, including units under construction but not yet sold or offered for sale, unsold units of completed projects, and units from disposed sites ready for construction.

62. Clearly, the total supply of public and private housing over the next five years will be higher than that in the past five years.

Increasing Supply of Subsidised Housing in

Short to Medium Term

63. We will increase and expedite the supply of subsidized housing -

(i) As a production target, the total supply of PRH will be at least 100 000 units over the five years starting from 2018;

(ii) I have asked the Transport and Housing Bureau (THB) to review and expedite the construction of public housing flats without compromising quality, and find ways to simplify technical assessments under different regulatory requirements;

(iii) I will invite the HKHS to build more subsidized housing. In view of the very favourable response to the Greenview Villa project, the Government has set aside a site in Sha Tin for the HKHS to develop a similar housing project. Another site in Sha Tau Kok will also be allocated for rental housing development. Together, the two sites will provide about 1 000 units;

(iv) I have asked the Development Bureau (DEVB) and the THB to examine all projects in the pipeline to increase the plot ratio as appropriate;

(v) The Housing Department will step up its efforts to combat the abuse of PRH resources. Together with the PRH flats surrendered voluntarily by tenants, on average a net number of about 7 000 units will be recovered every year. With another 15 000 or so new flats completed, there will be more than 22 000 PRH flats available for allocation a year;

(vi) The first batch of 2 100 new HOS flats will be offered for pre-sale next year. In due course, PRH tenants who purchase HOS units will vacate their PRH flats, which will then be available for reallocation; and

(vii) Since the latest income limit for subsidised housing is capped at \$40,000 a month, we believe that in future, the income limit for HOS flats should enable those who were previously eligible for the My Home

Purchase Plan (MHPP) to become eligible under the HOS. As such, we have decided not to roll out any more projects under the MHPP. The four pieces of land in Tai Po, Diamond Hill, Choi Hung and Ma On Shan respectively, originally earmarked for the MHPP, will be used for new HOS development instead.

Long-term Housing Strategy

64. The Long Term Housing Strategy Steering Committee is conducting a comprehensive review of public and private housing demand, including the demand for rental housing and home ownership, and devising a new long-term housing strategy. Also, the Committee will assess the medium and long-term housing needs of different social strata and groups, set priorities and make long-term plans. The establishment of the Committee and other relevant government measures demonstrate unequivocally the Government's commitment and actions to resolve the housing problem. The Committee will publish a public consultation paper in mid-2013.

Guiding Principle and Objectives of Land

Supply

65. Land shortage has seriously stifled our social and economic development and smothered many opportunities for people to start and expand their businesses. High housing prices and rents also affect young couple's plans to marry and start a family. This undermines family harmony and can cause potential safety and health hazards.

66. We need land for housing development; we also need land for elderly homes, students' hostels and venues for hosting sports, religious, arts and cultural events. Yet, if we roll out the map, we will clearly see that outside the country parks and areas of high conservation value, Hong Kong still has many tracts of undeveloped land and potential sites for reclamation.

67. We should bear in mind that public demand for land is generated as much from the surging population as from people's aspirations for

more space to alleviate their cramped living conditions. Roughly, more than half of the private dwellings have a saleable area smaller than 50 square metres. Do we have the courage to make it our vision to improve the living space for the future generation?

68. The Government will continue to adopt a multi-pronged approach and step up its efforts to meet housing and other needs. For this purpose, we will increase the supply of land in the short, medium and long terms through optimal use of developed land and identifying new land for development at the same time.

69. We have adequate funding, sophisticated technology and feasible plans for increasing land supply. The only question is whether we can stand united with one vision.

70. In considering whether a site should be developed, the use of the site after development, or how to accommodate different views and aspirations in the process of development, we do not have any perfect option. We have to make real and difficult choices. Should we preserve the North East New Territories as a rural area or develop it into a new town providing public rental housing, HOS flats, private residential flats and sites for different industries? In the Kai Tak Development Area, should we build a sports city or use the land for residential development? We must have the courage and resolve to make hard choices and decisions with the overall interests of the community in mind. The Government will strive to balance different interests when making choices. But the fact is that the community will never reach a full consensus over such issues. In fact, we cannot afford to, and should not, wait for a full consensus.

71. Land development is a long process. Yet, society's demand for land is subject to frequent and unpredictable changes. Failure to make timely adjustment in supply will trigger market fluctuations and other social consequences. To respond more flexibly to society's needs for land, the Government is determined to develop new land extensively and build up an abundant "land reserve" that can more than meet the short-term demand. That way, the reserve can be used to meet future demand in a timely manner.

72. Extensive land development takes 10 to 20 years. Our young people should recognise that the planning proposals and development options under discussion today are intended to address their future needs. It is all too easy for the Government to side-step the problem, but it is today's young people who will have to bear the adverse consequences in future.

Increasing Supply of Housing Land in Short to

Medium Term

73. The Government will take a number of strong measures to increase housing land supply in the short to medium-term -

(i) I announced in August 2012 that 36 sites, including Government, Institution or Community (GIC) sites and other Government sites, with an area measuring 27 hectares in total, would be used for housing development to provide about 11 900 residential flats. Of these sites, 10 have been zoned or are going through town planning procedures for rezoning for housing development. Rezoning for the remaining 26 sites is expected for completion by 2016. This requires the support of the community in the relevant districts. We have made some progress and will continue to consult the District Councils. To identify more suitable land for conversion to residential use, the Planning Department (PlanD) will continue to review sites currently zoned for GIC uses and other Government sites;

(ii) There are 13 sites in Green Belt areas, measuring 57 hectares in total, which are devegetated, deserted or formed and considered suitable for rezoning for residential use. Town planning process will commence in phases. For seven of the sites, the rezoning process will be completed by 2017 to provide some 13 500 units. The remaining six sites will be rezoned subsequently within a few years to provide some 9 500 units. I will ask the PlanD to expedite the rezoning process. Meanwhile, the PlanD is engaged in the next stage of Green Belt review, with the purpose of releasing more sites for housing development;

(iii) In its last round of review of industrial land, the PlanD has identified a total of 60 hectares of land to be released for non-industrial uses. Sixteen sites measuring 30 hectares in total are considered suitable for

rezoning for residential use. Among them, 13 have been completed or are undergoing the rezoning process and can provide about 14 600 units upon redevelopment. The PlanD is expediting the rezoning process for the remaining three sites with capacity to provide some 5 800 units. The PlanD will also conduct another round of review of industrial land shortly with a view to increasing housing supply;

(iv) The DEVB is working with the PlanD and other departments to increase the development density of unleased or unallocated residential sites as far as allowable in planning terms. I have also asked other government departments to take the same positive approach in handling applications from private residential developments for approval of higher development density, in order to increase flat supply as far as allowable in planning terms. Meanwhile, the Lands Department is reviewing land administration procedures and processes related to land grant and premium assessment to expedite land supply;

(v) I have asked the policy bureaux to act decisively to optimise the use of land and, where the original intended use is not required anymore, to convert the land for housing development or other uses that meet the more pressing needs in the community as soon as possible. For example, as the HKHS has been unable to identify partners for its short term land use project in Tin Shui Wai Area 112, the Government is considering rezoning the land for residential, hotel or other suitable uses;

(vi) We are actively considering relaxing or lifting a moratorium, which is an administrative measure, currently in force to restrict the sale of new land or modification to lease in Pok Fu Lam and the Mid-Levels, so as to lift development restrictions in these two areas;

(vii) We will step up efforts to put into full play the integrated development of mass transportation and residential property, and take forward the planning for residential development at Kam Tin South West Rail Kam Sheung Road Station and Pat Heung Maintenance Depot, with land of about 33 hectares in total estimated to provide about 8 700 flats. In addition, engineering studies will be conducted for the adjoining areas, totalling about 110 hectares, to identify land for public and private housing development. The Government will also explore vigorously the residential development potential of land along existing and planned railways;

(viii) In the coming four years, the Urban Renewal Authority (URA) will supply approximately a total of 4.9 hectares of land under its

development projects, which will be mainly used for residential development. It is estimated that about 4 700 flats can be provided. To address the aspirations of property owners and speed up the pace of urban renewal, I will invite the URA to forge ahead with its “demand-led” redevelopment scheme. To that end, the URA also set out to redevelop industrial buildings through a pilot scheme in October 2012, including redevelopment for residential purpose;

(ix) Over the past three years, the Town Planning Board has approved 57 planning applications for residential development. Among them, two applications involved sites identified in the last round of review of industrial land for residential use. The other 55 applications involve a total of 130 hectares of land and are estimated to provide over 45 000 flats when the projects are implemented. The Government will, in the interests of the public, expedite the administrative approval procedures and take other corresponding measures so that these flats are made available as soon as possible; and

(x) We will develop the former Diamond Hill Squatter Areas (Tai Hom Village), former Cha Kwo Ling Kaolin Mine, former Lamma Quarry and Anderson Road Quarry, which do not involve land resumption. In order to expedite these four development projects, we will actively consider making use of private developers’ capacity for development in providing infrastructure and ancillary facilities, and construction of public and private residential units on these sites. The four projects together are estimated to provide about 27 hectares of residential land for the construction of about 15 000 units.

74. The major sources of land for housing are land sale by the Government, sites earmarked for public housing development, redevelopment of public housing, private redevelopment projects, URA projects, and railway property development projects. The 10 measures just mentioned will increase and accelerate housing land supply. Seven of these measures already will make available over 300 hectares of land for housing, providing about 128 700 units in the short to medium term based on known developments.

Long-term Land Supply

75. The Government will take forward the following projects as soon as

possible.

North East New Territories New Development Areas

76. According to earlier planning, the North East New Territories New Development Areas (NDAs) will provide about 533 hectares of developable land, including housing land for 53 800 units. This will be an important source of supply for public and private housing in the years to come. The first batch of residential units will be completed in 10 years. To meet public demands, we are actively studying the possibility of appropriately increasing the development density and proportion of public housing. We are also identifying sites for new HOS flats and taking forward, as appropriate, the “Hong Kong property for Hong Kong people” policy.

Hung Shui Kiu New Development Area

77. Following the North East New Territories NDAs, the Hung Shui Kiu NDA is our next major development project. With a study area of 790 hectares, this project can provide over 400 hectares of developable land according to preliminary assessment. We will step up the efforts to formulate a preliminary outline development plan for embarking on the next stage of public engagement.

Developing the New Territories North

78. Apart from the North East New Territories and Hung Shui Kiu NDAs, there are also vast tracts of land released from the Closed Areas and other undeveloped areas in the New Territories North. While some of them have high ecological significance and are unsuitable for development, there are others that have certain development potential. I have already asked the PlanD to study the feasibility of taking forward further development of the New Territories North, with a view to developing a modern new town there on a similar scale of the Fanling or Sheung Shui New Towns.

Review of Deserted Agricultural Land in North District and

Yuen Long

79. I have asked the PlanD to expedite the review of agricultural land in North District and Yuen Long currently used mainly for industrial purposes or temporary storage, or which is deserted. It is hoped that suitable land within the 257 hectares of areas under review can be released for housing development as soon as possible.

Development of Lantau Island

80. With the rapid development of the west bank of the Pearl River Delta, Qianhai, Nansha and Hengqin, coupled with the availability of the Hong Kong-Zhuhai-Macao Bridge and other infrastructure, the northwest of Hong Kong will become a focal point of development. Lantau Island, in particular Tung Chung, has a geographical advantage for the development of logistics, tourism and other industries, hence creating new employment opportunities for the local residents. We are now conducting the Tung Chung New Town Extension Study to explore the potential of developing Tung Chung into a new town with more comprehensive and better developed community facilities. We will also continue to explore in earnest the development potential of Lantau Island and areas along the trunk routes in New Territories West.

Reclamation on an Appropriate Scale Outside Victoria

Harbour

81. To build up the land reserve, we will actively press ahead with reclamation outside Victoria Harbour, while endeavouring to keep the impact on the environment and marine ecology to a minimum. In accordance with the site selection criteria formulated after the stage one public engagement, we will put forward possible reclamation sites for further consideration and commence the stage two public engagement as soon as possible. After that, we will conduct planning, environmental and engineering feasibility studies on selected sites. We hope that a total of about 2 000 to 3 000 hectares of land can be made available in this way. Initially, North Lantau, Lung Kwu Tan in Tuen Mun, Southwest Tsing Yi and Ma Liu Shui near the estuary of Shing Mun River are among the sites we have identified. They will provide a total of

about 600 hectares of land.

Rock Cavern and Underground Space Development

82. Reclamation aside, rock caverns and underground spaces are viable sources of land supply. We are studying the feasibility of relocating the Sha Tin Sewage Treatment Works to a cavern to make way for housing or other uses. We are also conducting a study on the long-term strategy for rock cavern development with a view to preparing rock cavern master plans and formulating policy guidelines. Moreover, we will further explore the potential of developing underground spaces in the urban areas. This includes studying the possibility of linking up the underground spaces of existing or planned structures in the urban areas.

Supplying More Commercial Land and Facilities

83. The Government will address the shortage of commercial land supply in a holistic, innovative and decisive manner. I have asked the bureaux concerned, including the DEVB, the Financial Services and the Treasury Bureau and the THB, to take forward and co-ordinate the following initiatives: to convert government office buildings and GIC sites in Central and Wan Chai to commercial use, and to accelerate the development of the North Commercial District on Chek Lap Kok Airport Island.

Energising Kowloon East

84. Kowloon East, as another core business district of Hong Kong, has the potential to supply an additional office floor area of 4 million square metres. To expedite the plan, we are considering relocating the existing government facilities in the two action areas of Kowloon East. It is expected that these two action areas will be able to provide about 500 000 square metres of floor area in total.

Kai Tak Development

85. The works within the Kai Tak Development Area are making good progress. The first berth and terminal building of the Kai Tak Cruise

Terminal will come into operation in mid-2013, and the PRH estates in the area will also be ready for occupation in phases this year. To facilitate the transformation of Kowloon East, we will review planning of the sites in the Kai Tak Development Area and explore the possibility of increasing office and housing supply without compromising the land supply from the area in the coming five years. A consultation on the outcome of the review will be conducted in due course.

Kai Tak Fantasy

86. The former runway tip in the Kai Tak Development Area has excellent potential to be developed into a tourism and entertainment hub. We propose setting up on this site a recreational landmark — Kai Tak Fantasy. On top of recreation facilities, it can be turned into an “edutainment” destination which will reflect Kai Tak’s unique aviation, maritime and transportation history.

Revitalising Industrial Buildings

87. Our policy to revitalise industrial buildings has been put in place for almost three years. In total, 13 applications for redevelopment and 49 for wholesale conversion had been approved, which could provide a total gross floor area of about 680 000 square metres for non-industrial uses. The Government is prepared to further relax certain restrictions on wholesale conversion, including allowing owners to recover the amount of gross floor area loss due to alteration of building structure by making minor changes on the outside of the existing building frames under specific conditions. Such arrangements will further facilitate revitalisation of industrial buildings, hence increasing commercial and residential land supply.

Harbourfront Authority

88. Victoria Harbour is a valuable asset of Hong Kong people, and should be “a harbour for the people, a harbour of vitality”. To enhance the attractiveness and vibrancy of the harbourfront, we welcome the Harbourfront Commission’s proposal for setting up a dedicated statutory Harbourfront Authority to press ahead with harbourfront development

in a holistic manner with an innovative mindset and a more flexible management approach. The DEVB will collaborate with the Harbourfront Commission in conducting public consultation on the proposal. If the proposal is supported by the public, the Government will take forward the legislative work and provide the financial support. This will be a key milestone to create a Victoria harbourfront for the people

Heritage Conservation

89. We have worked to strike a balance between the need to respect private property rights and the need to preserve our heritage. On the premise of respecting private property rights, we need to offer appropriate economic incentives to encourage private owners to either hand over or conserve historic buildings in their ownership. In light of the experience gained over the past few years, we need to review the policy on the conservation of privately-owned historic buildings. This will include formulating a set of more detailed mechanism and criteria for determining the extent and means to use public resources for the conservation of privately-owned historic buildings, and studying whether there is a need to enhance conservation of such buildings in the context of town planning.

Overall Co-ordination of Land Supply

90. The Steering Committee on Housing Land Supply chaired by the Financial Secretary will be re-organised as the Steering Committee on Land Supply. The new Committee will coordinate the overall plans for development and supply of land in Hong Kong for various uses, and adjust supply in response to changes in demand. It will report to me on a regular basis.

91. The design, planning and implementation of the land development projects I have just mentioned may generate all kinds of controversies, including people's interests, rehousing, environmental protection and living styles. There could also be political hurdles. If we want to remove the impediment of inadequate land supply for social development, we must stand united in overcoming difficulties; if we want to build more residential units, homes for the elderly and hospitals, we must work

together to remove obstacles. I pledge that the Government and I will work in a pragmatic and proactive manner to deal with problems, engage the public and rise up to challenges.