

The 2015 Policy Address

**Uphold the Rule of Law
Seize the Opportunities
Make the Right Choices**

**Pursue Democracy
Boost the Economy
Improve People's Livelihood**

(Extract on Housing, Land and Youth Hostel)

14 January 2015

Contents

Paragraph

IV. Housing, Land and ...

Housing	61–69
Public Rental Housing	62–63
Subsidised Home Ownership	64–68
Private Housing	69
Land	70–105
Short and Medium Term Land Supply	76–85
Commercial and Economic Land Uses	86–89
Long Term Land Supply	90–100
Public Participation in Long-term Planning	101–102
Construction Industry	103–105
Youth Hostels	159

Mr President, Honourable Members and fellow citizens,

IV. Housing Land ...

Housing

61. Housing is the most critical of all livelihood issues in Hong Kong. The current-term Government is not only determined to avert the supply-demand imbalance progressively, but is also confident and capable of achieving this. The Long Term Housing Strategy released last month sets out the direction of Hong Kong's housing policy with a view to addressing housing problems with a multi-pronged approach.

Public Rental Housing

62. After taking office, the current-term Government has been vigorously speeding up the development of public housing, and public rental housing (PRH) production has seen continuous increase. It is estimated that during the five years from 2014-15 to 2018-19, a total of 77 100 PRH units will be completed, among which 23 300 units are scheduled for completion in 2015-16. In the Long Term Housing Strategy, we have maintained our PRH production target of about 20 000 units each year for the next decade. To achieve this target, I have requested the relevant departments to keep co-ordinating the priorities, make proper planning and provide suitable community facilities so as to increase supply. However, of crucial importance is the support of local communities and other people.

63. Meanwhile, the safety risks concerning subdivided flats, especially those in industrial buildings, should not be overlooked. The Buildings Department (BD) will continue its efforts to totally ban the subdivided flats used for domestic purposes in industrial buildings. It will step up prosecution against owners who fail to comply with relevant orders. As to the subdivided flats in domestic and composite buildings, the BD

will continue to take more vigorous enforcement actions against irregularities involving building and fire safety. Should any occupants be rendered homeless as a result of these actions, the Government will provide them with transitional accommodation in accordance with the current mechanism.

Subsidised Home Ownership

64. High property prices decrease the public's relative ability to purchase a home and result in a marked increase in demand from low and middle-income families for Home Ownership Scheme (HOS) flats or other subsidised flats. Greenview Villa, put up for pre-sale by the Hong Kong Housing Society (HKHS) at the end of 2012 and the first batch of 2 160 new HOS flats put up for pre-sale by the Housing Authority last month received an overwhelming public response. We must therefore actively explore ways to increase the supply of sale flats through a multi-pronged approach by engaging public or non-profit-making organisations including the Housing Authority, HKHS, Urban Renewal Authority (URA) and the Hong Kong Settlers Housing Corporation Limited. By so doing, more property choices and home ownership opportunities will be provided for low and middle-income families.
65. The Housing Authority will put up approximately 2 700 and 2 000 HOS flats for pre-sale in 2015-16 and 2016-17 respectively.
66. The HKHS will also offer 1 600 subsidised sale flats for pre-sale in 2016-17. Of these flats, 1 000 will be units provided in Sha Tin at the Government's request made in 2013. Moreover, two sites in Tseung Kwan O and Tuen Mun respectively have been set aside for development by the HKHS, providing an estimated total of about 600 units.
67. In addition to the Housing Authority's HOS flats and the subsidised sale flats of HKHS, I consider that there should be different forms of subsidised sale flats to meet the needs of different people. To further improve the housing ladder, I have proposed to the Housing Authority that suitable flats should be identified among its PRH developments under construction for sale to

Green Form applicants in the form of a pilot scheme, with prices set at a level lower than those of HOS flats. Target buyers are mainly sitting PRH tenants and PRH applicants who have passed the detailed vetting and are due for flat allocation. This scheme will help Green Form applicants achieve home ownership while releasing more PRH flats for allocation to families on the PRH waiting list.

68. In addition, in light of experience gained from Private Sector Participation Scheme and mixed development pilot schemes, I consider that we can vigorously explore ways to further leverage the private sector's capacity to assist in increasing and accelerating the supply of subsidised sale flats.

Private Housing

69. On private housing, according to the latest projection in December 2014, the housing supply from the first-hand private residential property market for the coming three to four years is approximately 74 000 units, which is the highest on record. The private sector only produced an average of about 11 400 flats each year over the past five years. Based on the preliminary assessment of private residential developments known to have started or to be started on disposed sites, the private sector will, on average, produce about 14 600 flats each year in the next five years, representing an increase of about 30%. The Government will continue to maintain the stable and healthy development of the private property market through steady and sustained land supply and implementation of demand-side management measures when necessary.

Land

- 70 There is a serious mismatch between the supply of land and the needs of our society. The short supply of land and housing has led to rising property prices and rents.
- 71 High property prices and rents have prevented many young people from forming a family or starting their own business.

This has also resulted in cramped living space for society as a whole and insufficient space for social welfare facilities such as kindergartens, elderly homes and residential care homes for persons with disabilities. We have an ever longer PRH waiting list, and an increasing number of people have seen their living environment deteriorate. Some have no alternative but to live in subdivided units in industrial buildings. Small and medium-sized enterprises face greater operating difficulties while overseas investors are disheartened by the difficulty in establishing a business base in Hong Kong. The root of many social and economic problems in Hong Kong lies in the shortage of land for development.

- 72 What Hong Kong lacks is not land, but land that is developable. The difference lies in the need for land planning and development. The process of land planning and development takes time. Hong Kong experienced a long period of economic downturn and saw a declining property market after the Asian financial crisis. The Government scaled back the speed and scope of our planning and development of land, and did not foresee the huge demand for developable land as a result of the eventual economic recovery. A substantial amount of land was zoned for non-development uses such as country parks to improve the environment. We also lowered the development intensity of land newly planned for development. These are causes of the serious shortage of housing supply that we have been facing in recent years.
- 73 The consultation process for land planning and development has become drawn out with increasing controversies and uncertainties, including the uncertainties and time loss brought about by judicial reviews.
- 74 We have to take into consideration more and more factors such as the impact on traffic, environment, conservation and even air ventilation in the planning process. As a result, the supply of developable land has decreased or decelerated. Society as a whole must make hard choices.
- 75 Planning must reflect the overall interests of Hong Kong and heed the priorities of society's needs. We should not only consider the well-being of individual areas in planning and development, but also the overall

housing supply and demand of Hong Kong as a whole. We cannot have our cake and eat it. If we opt for a lower development intensity, traffic flow will be smoother and the living environment will be nicer. However, the overall housing supply will be lower, which will lengthen the waiting time for PRH and push up property prices and rents. Town planning and land supply should not cater only for the people who can afford expensive properties, but also for those facing difficulties finding a home due to inadequate supply. At present, the most pressing concern is to ensure adequate and speedy land supply for development. Increasing and expediting land supply is the fundamental solution to resolve the land and housing problems of Hong Kong.

Short and Medium Term Land Supply

76 In the past two years, the Development Bureau and relevant departments have stepped up their efforts to increase land supply and build up a land reserve by adopting a multi-pronged strategy and various short, medium and long-term measures. This will help meet the public's housing and other needs. We are pressing ahead with all the initiatives and the progress is as follows.

77 We have been carrying out land use reviews on an on-going basis. Such reviews include examination of government sites which are vacant, held under short-term tenancy and for other short-term or government uses; Government, Institution or Community (GIC) sites; and the two stages of the Green Belt review. I announced in my last Policy Address that some 150 sites had been identified. We estimate that a considerable number of these sites will be available for residential use between 2014-15 and 2018-19 and are capable of providing over 210 000 residential units, of which over 70% will be public housing units. This will only be possible if we can successfully complete the town planning procedures for rezoning and/or increasing development intensity, and press ahead with all the

necessary works. Relevant District Councils (DCs) have been consulted on the overall planning of these sites. As at end-December 2014, amendments to the statutory plans of 45 sites had started. Moreover, a few sizable sites which were not required for the intended uses have been converted for housing development or other uses that meet more pressing needs, with a view to achieving our housing target of 480 000 public and private residential units in the next decade.

78 To optimise land use, we will increase as appropriate development intensity. Since the inauguration of the current-term Government, the Town Planning Board has approved applications to relax the development intensity of 26 housing sites, leading to an additional supply of about 3 500 units. To tie in with the transformation of Kowloon East, we are reviewing the planning for the Kai Tak Development Area and the technical studies on the development intensity. It is anticipated that the Kai Tak Development Area will provide no fewer than 6 800 additional units (including about 1 000 units already approved) and not fewer than 430 000 square metres of additional commercial floor area.

79 The development of the former Diamond Hill Squatter Areas (Tai Hom Village), the former Cha Kwo Ling Kaolin Mine and former Lamma Quarry are making good progress. These three development projects are expected to provide over 8 000 public and private residential units. The housing site in the Anderson Road Quarry will be made available for development as early as 2019-20 to provide over 9 000 public and private residential units. In addition, the Government will commence the initial study on the land use of the Lam Tei Quarry and its adjoining area in 2015.

80 The Government is also actively considering making use of private developers' capacity to expedite the relevant developments. We believe that private sector participation will help facilitate the development of tourism and commercial facilities.

81 The Government will relax outdated restrictions and streamline procedures to facilitate land development. For example, in last year's Policy Address, I announced lifting the development moratorium on the area close to

Wah Fu Estate for public housing development and the redevelopment of Wah Fu Estate to provide about 11 900 additional PRH units in total.

- 82 A Pilot Scheme for Arbitration on Land Premium has been launched to facilitate agreement on land premium for lease modification or land exchange applications, with a view to expediting land supply for housing and other uses.
- 83 Since its inauguration, the current-term Government has continued to increase private housing land supply. It is estimated that the private housing land supply in 2014-15 is capable of providing more than 20 000 residential units, a record high since the Government introduced the private housing land supply target in 2010.
- 84 On land sales, from April 2012 to December 2014, the Government sold 73 private residential sites capable of providing about 25 400 units. Most of the sites put up for sale were of small to medium size and the entry barrier to tendering was relatively low. As a result, over 40 developers of different scales were awarded sites. We see increasing competition among the developers in bidding land and selling flats.
- 85 Recently, the MTR Corporation Limited (MTRCL) completed the planning procedures for the property development project at the West Rail Yuen Long Station, which is capable of providing about 1 880 units. The Government also encourages the MTRCL to launch its property development projects as soon as possible, and the MTRCL has responded positively. Last year, the MTRCL successfully tendered three projects capable of providing about 6 100 units. The MTRCL is embarking on tendering work for other projects. The Government is taking forward the planning for residential development at the West Rail Kam Sheung Road Station and Pat Heung Maintenance Centre in Kam Tin South, which are expected to provide about 8 700 units. The preliminary land use review of the adjoining areas has been completed and these areas are estimated to have the potential for providing approximately 25 000 additional units. At the same time, we will continue to actively explore with the MTRCL and the Kowloon-Canton Railway Corporation the

development potential of stations and related sites along the existing and future rail lines, such as Siu Ho Wan in Lantau.

Commercial and Economic Land Uses

86 The demand of economic activities for office, retailing, hotel, trading and logistics spaces is huge. The Government will continue to do so through measures such as converting suitable GIC sites in core business districts into commercial use. The two multi-storey carparks at Murray Road in Central and Rumsey Street in Sheung Wan are estimated to be able to provide some 76 000 square metres of floor area. Likewise, the former Mong Kok Market site will be converted for commercial use, providing about 6 400 square metres of commercial floor area. The Government will also convert the use of the government site at Caroline Hill Road as soon as possible to release more commercial floor area.

87 Kowloon East, as an alternative core business district for Hong Kong, has the potential to supply an additional commercial/office floor area of about 5 million square metres. The Government is considering relocating or rationalising the existing government facilities in the two action areas of Kowloon East. Starting from 2014-15, some suitable sites within the action areas will be made available to the market. The Government will also comprehensively develop the concept of a “walkable” Kowloon East in the Kowloon Bay and Kwun Tong Business Areas to improve the pedestrian environment and address traffic issues. We will study arrangements to facilitate the construction of elevated walkways by private property owners and examine the feasibility of facelifting back alleys and linking them to the pedestrian network. In addition, the Government will continue to take forward the Kai Tak Fantasy project and commence studies on its planning, engineering and mode of implementation to take forward the project in phases, with a view to developing a world-class tourism, entertainment and leisure attraction.

88 With its proximity to Hong Kong Island, the proposed East Lantau Metropolis in the eastern waters off Lantau can be linked with Hong Kong Island, Lantau

and the New Territories West by transport infrastructure. The metropolis will accommodate new population and serve as a new core business district in addition to Central and Kowloon East. We will seek to start the preliminary study of the metropolis as soon as possible.

89 As at end-December 2014, the Lands Department approved 105 applications for lease modification and special waiver through the revitalisation measures for industrial buildings. It is anticipated that about 1.24 million square metres of converted or new floor area will be available for commercial or other uses.

Long Term Land Supply

90 I met a five-year-old who asked me, “Chief Executive, where shall I live when I grow up? Will there be enough land in Hong Kong?” The Government’s term of office is five years, whereas that of the Legislative Council is four. But increasing land supply takes a much longer time. We must address the question raised by this child in a pragmatic manner. Apart from making the right choices of land use, we must also undertake long-term land planning and development.

91 In the medium and long terms, Kwu Tung North and Fanling North New Development Areas (NDAs) will be an important source of housing and land supply for Hong Kong, especially in terms of PRH and HOS flats. The NDAs will deliver about 60 000 residential units, of which 60% will be PRH and HOS flats. It is anticipated that the first batch of residential units will be completed in phases from 2023 onwards. We have commenced the detailed design and ground investigation of the advance works for the Fanling North NDA. We will carry out the advance works subsequently.

92 The Stage Two Community Engagement under the Hung Shui Kiu NDA Planning and Engineering Study was completed in October 2013. It involves about 60 000 residential units, of which more than half will be for public housing. According to the study, the vicinity of the proposed West Rail Hung Shui Kiu

Station and the existing Tin Shui Wai Station will be used for commercial development and about 60 hectares of land will be set aside for logistics and related developments. The Stage Three Community Engagement will commence this year.

93 With the completion of the Hong Kong-Zhuhai-Macao Bridge and the Tuen Mun-Chek Lap Kok Link, Tung Chung will become an important transportation hub for the Pearl River Delta and Western Guangdong. The Stage Three Public Engagement of the Tung Chung New Town Extension Study was also completed. The new town extension will provide about 48 000 residential units, and a commercial hub will be established in Tung Chung East.

94 The URA will continue to redevelop old and dilapidated private buildings through self-initiated redevelopment projects and the Demand-led Redevelopment Project Pilot Scheme. Last year, the URA successfully tendered the San Shan Road/Pau Chung Street project and the Kwun Tong Town Centre project (Development Areas 2 and 3), and awarded tenders for two joint venture projects at Hai Tan Street at the end of the year. These redevelopment projects tendered in 2014-15 will provide about 2 700 units.

95 To better use agricultural land now mainly used for industrial purposes or temporary storage, or which is deserted, the Government will continue to review a total of about 257 hectares of such sites in North District and Yuen Long with a view to ascertaining the feasibility of and scale for residential development on these sites. In this connection, Kwu Tung South, Yuen Long South and Fanling/Sheung Shui Area 30 have been identified for planning and engineering studies. The studies of Kwu Tung South and Yuen Long South have commenced while the study of Fanling/Sheung Shui Area 30 is being conducted in two phases, with Phase One scheduled for completion next year.

96 The “brownfield sites” in Hung Shui Kiu, Yuen Long South and New Territories North have been used for years for purposes incompatible with the surrounding environment. The Government is studying feasible measures, including accommodating some of the users in multi-storey

buildings and taking the “brownfield sites” inside the Hung Shui Kiu NDA as a pilot case, with a view to taking forward the development of NDAs.

- 97 Reclamation outside Victoria Harbour is an important source of long-term land supply. The cumulative environmental impact assessment of the western Hong Kong waters is largely completed. Taking the assessment findings into account, the Government plans to commence a planning and engineering study on the Lung Kwu Tan reclamation at Tuen Mun in 2015.
- 98 The Government commenced in the second half of 2014 the investigation on and design of the relocation of Sha Tin Sewage Treatment Works to rock caverns and the feasibility studies on relocating three other facilities to caverns. A total of 34 hectares of land will be released for development. We will also commence a pilot study on underground space development in four strategic districts in early 2015.
- 99 The Government is conducting the Preliminary Feasibility Study on Developing the New Territories North to meet our long-term needs.
- 100 Since its establishment in January last year, the Lantau Development Advisory Committee has examined in detail the positioning and recommendations for short, medium and long-term economic and community development in Lantau. This seeks to capitalise on the benefits brought by the three-runway system of the Hong Kong International Airport, the Hong Kong-Zhuhai-Macao Bridge and other strategic infrastructure in the area, and to attain synergy with the Greater Pearl River Delta development. In 2015, short-term projects such as the revitalisation of Tai O and Mui Wo, construction of mountain bike trails, improvements to narrow road bends along Keung Shan Road and South Lantau Road, and review of arrangements for closed roads and issuance of closed road permits for Lantau will be rolled out in full swing. In the medium term, we will continue with the development of the Tung Chung New Town Extension, and proceed to commence studies in connection with the reclamation in Sunny Bay and topside commercial development on the Hong Kong boundary crossing facilities of

the Hong Kong-Zhuhai-Macao Bridge. In the long term, we will seek support of this Council for early commencement of the preliminary study on the East Lantau Metropolis to look into the development of artificial islands in the eastern waters off Lantau, including the provision of ancillary transport infrastructure to link up to the western part of the New Territories and Hong Kong Island.

Public Participation in Long-term Planning

101 The Development Bureau and the Planning Department are updating the “Hong Kong 2030: Planning Vision and Strategy” published in 2007 to examine the strategies and feasible options for overall spatial planning and land and infrastructure developments for Hong Kong beyond 2030, in the light of our latest needs.

102 The current-term Government is committed to putting an end to the long-standing shortage of land supply. The Government plans to hold multi-party discussion with all sectors of the community, such as professional bodies, environmental groups, local communities and young students, in order to jointly examine the issues concerned, balance competing considerations, break through the bottlenecks and solve the problems.

Construction Industry

103 The Government has been working with the Construction Industry Council (CIC) and members of the sector to promote the healthy development of the construction industry. Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” will be implemented under the construction workers registration scheme in 2017. Skilled construction workers will then be required to register according to their respective skills. This will help further raise the quality of construction works as well as the professional image of construction workers, and attract more people to join the industry. All along, the CIC has mainly provided training for workers to bring

them to semi- skilled level. In this regard, the Government will provide \$100 million for the CIC to strengthen their work to train skilled workers for the industry. We will make continuous efforts to enhance the professional development of construction workers and provide them with more progression pathways.

104 The construction industry is facing the problem of a severe shortage and ageing of skilled workers. Although the Government and CIC have made strenuous efforts in recent years to train local skilled workers and enhance the industry's professional image, and have attracted many new entrants to the industry, the keen demand has yet to be met. If the shortage of skilled workers cannot be properly dealt with, it will seriously affect the implementation of public housing, hospital, school and public transportation projects, and will also indirectly lead to the escalation of construction costs. To this end, the Government, the construction industry and the community must work together in a pragmatic manner and stay united to embrace the challenges ahead. We must take the most appropriate measures to tackle the problem of acute manpower shortage comprehensively and effectively. On the overriding premise of giving priority to the employment of local skilled workers, safeguarding their income levels as well as promoting training to the construction workforce in a continuous manner, the construction industry needs to import skilled workers in a timely and effective manner to meet the demand.

105 The Government rolled out measures to enhance the Supplementary Labour Scheme last April specifically for the construction industry in relation to public sector works projects. Nonetheless, the relevant measures have yet to fully address the keen demand of the industry for skilled workers. We need to launch further enhancement measures having regard to the unique characteristics of the construction industry. For example, since construction works are carried out in sequential order and may be affected by factors such as supply of materials, progress of upstream work processes and

so on, allowing imported skilled workers to work across various public sector works projects can enhance the flexibility of deployment, maximise the productivity of skilled workers and control costs more effectively. The Government will liaise closely with the construction industry and the labour sector on the detailed arrangements of the relevant measures and review their effectiveness in a timely manner. If these measures still cannot effectively resolve the acute shortage problem of skilled workers, we will explore with the construction industry and labour sector the introduction of other more effective and appropriate measures to reduce the adverse effects on Hong Kong's economic and social development. To give priority to local workers in employment, the Government will set up a dedicated Construction Industry Recruitment Centre. The centre will provide career counselling services, conduct on-the-spot job interviews and organise job fairs for local construction workers, and assist contractors in according priority to employing qualified local skilled workers.

Youth Hostels

159 The four youth hostel projects are being progressively implemented. The Government will seek funding approval as soon as possible to take forward the two projects at Sheung Wan and Tai Po, while advance preparation works are being carried out for two projects at Mong Kok and Jordan. At the same time, we will actively assist other interested non-governmental organisations (NGOs) with the early launch of more new projects.