

Executive Summary

Land shortage is the root of many social and economic ills in Hong Kong.

Hong Kong's ongoing housing crisis and skyrocketing home prices have weighed heavily on many of the citizens' mind, extinguishing their hope for a better livelihood and starting a family of their own. We raised the alarm that Hong Kong has got bogged down in a deadlock of "triple lows", respectively in spade-ready land supply, housing completions, and quality of living reflected by the shrinking average size of new housing units. If no resolute action is taken promptly, the society will continue to bear the poor living environment with great despair.

The current land shortage is mainly attributed to the fact that no new town has been built in the past twenty years. Previously, Hong Kong has created substantial land supply by building nine new towns since the 1970s, but such effort halted in the 2000s. At present, Hong Kong's urbanised area with well-planned usages only consists of 20% of its total landmass, which is remarkably low compared with other cities or regions, such as 47% in Shenzhen and 73% in Singapore.

To build a better living environment, Hong Kong must envision and invest in its future. Our society needs to take collective action and commit to increasing land supply via multi-pronged approaches. In addition to reclamations, the New Territories presents a promising opportunity for large-scale development. With

comprehensive planning and effective policies, developing the New Territories will mark another turning point for Hong Kong in creating a truly liveable community and inject new vigour into its economic growth.

The society has been desperate for a way out of the hopeless land shortage — a holistic vision based on the broader aspiration of liveability, economic development, and sustainable growth is needed to sow the seeds of hope and drive change. With the right policies, we can secure a timely supply of land to realise this vision. Future land creation initiatives will undoubtedly bring new opportunities, hopes, and more diversified economic and social activities to Hong Kong people from all walks of lives.

Planning for the future

In the upcoming three decades, Hong Kong will need at least 9,000 hectares of land according to our estimate based on practical needs. The major land supply measures planned by the Government of the Hong Kong Special Administrative Region (the Government) has so far contributed 5,000 hectares, including the Lantau Tomorrow Vision (LTV), and the two ongoing New Development Areas (NDAs), namely Hung Shui Kiu (HSK) and Kwu Tung North / Fanling North (KTN/FLN). These two NDAs have been re-activated more than a decade ago. Still, the implementation process has been slower than desired because of various reasons, most notably the bureaucratic red tape.

The LTV is an integral part of the long-term land supply strategy. It will not only act as an important “catalyst” in speeding up potential land clearance and resettlement issues in the negotiation between the Government and different stakeholders, but also provide a new strategic transport network that unleashes the development potential of the New Territories.

Strategic planning, however, is a continuous effort — a halt in land development will only risk an inability to meet future needs. With the expected commencement of construction work for the LTV and the New Territories North (NTN) in several years, we identify a paramount need to start looking for the next batch of NDAs to succeed these two projects. In anticipation of the dynamics ahead in the long-term future, we bring forth the development blueprint for a liveable New Territories, to lay out a visionary and pragmatic roadmap towards the 2030s and beyond.

But what about the immediate housing shortage?

One of the direct consequences of the current land shortage is the housing crisis. Many people live in small and unaffordable private flats, while many wait in an ever-lengthening queue for public housing units. We have scrutinised the short-to-medium land and housing supply in our previous research reports and put forward recommendations on this front. While this report gives emphasis to long-term land supply, the suggestions herein can also facilitate the NDA development that is currently underway.

To increase housing completions for the short term (i.e. next 3–5 years), the only way is to expedite development on spade-ready land. Currently, the average development cycles from land acquisition to construction completion for public and private housing are more than five years, even assuming spade-ready sites are immediately available. We advocated the need to cut the administrative red tape to shorten the development cycles for both public and private housing.

In the medium term (i.e. next 5–10 years), the Government needs to expedite the creation of spade-ready sites in its pipeline. A spade-ready site, be it a small rezoning site or a large NDA, takes at least five to ten years to be created. Previously, we have also identified two sites of “unzoned hills” at Shap Sze Heung that are mostly government-owned and free from obvious legal restrictions to development.¹ In this report, we also explore various measures to speed up the development procedures of spade-ready land, especially for the two ongoing NDAs of HSK and KTN/FLN.

Re-imagining the possibilities of the New Territories

For Hong Kong to continue to thrive in the future, comprehensive development that meets our various land demand, be it housing, economic activities, community facilities, recreation space, transport, and infrastructures, is of the essence. As comprehensive planning and development must be accompanied by the availability of large and flat landmass; the New Territories, extending over almost 90% of Hong Kong’s landmass, will be a key enabler for Hong Kong’s future growth.

¹ For further information about our policy recommendations on cutting red tapes in development cycles and utilising “unzoned hills”, please refer to *Cutting Red Tape to Catch Up with Shortfalls in Land and Housing Supply* (OHKF, 2020a), and *Lacunae in Land Planning: Undersized, Undersupplied and Underestimated* (OHKF, 2018).

Hong Kong's development pattern hints at society's subconscious "Central perspective" in city planning. The main urban area in Hong Kong Island and Kowloon is not only our Core Business Districts (CBDs) but also the epitome of cultural activities and transport infrastructures. On the other hand, the New Territories is merely seen as the outskirts of the city.

However, when we break away from the traditional framework and expand the planning vision to the wider region, the New Territories presents enormous development potential. The New Territories can be the cradle for industries that cannot afford the soaring rent in the CBDs, allowing Hong Kong to diversify its economies. Enjoying a strategic position with proximity to the Greater Bay Area, a well-developed New Territories would reinforce Hong Kong's role as a gateway between China and the world, thereby strengthening its prime position as a regional hub. In this regard, Hong Kong can continue to win over talents, business, and capital, which are essential to its sustainable development. Nonetheless, Hong Kong can only catch this window of opportunity if we plan with comprehensive visions ahead.

Ultimately, an urbanised New Territories will take our city to the next level, as urbanisation and the associated clustering of human capital facilitate the exchange of ideas and stimulates innovation, which eventually drives technological and economic development. This notion has been supported by some renowned urban economists including, for example, Edward L. Glaeser and Paul M. Romer.²

Development blueprint for a liveable New Territories

In this report, we present nine Potential Development Areas (PDAs) for further study. They are extended from existing new towns and planned NDAs, forming a massive development belt with over 3,000 hectares that is comparable to Hong Kong's core urban area. With thorough planning intended for large-scale development, new infrastructures can be constructed to fully release the development potential of fragmented brownfield areas, farmlands, and other underutilised areas.

The planned NDAs and the proposed PDAs are categorised into three development themes to complement the planning intentions of the ongoing projects implemented by the Government.

(1) Culture & Technology Corridor

Building on the planned San Tin / Lok Ma Chau Development Node, KTN/FLN NDA, and NTN, the Culture & Technology Corridor extends the developable area further to sites along the Northern Link, Kwu Tung North extension, Kwu Tung South & Fanling South, and the east of NTN. Abutting the boundary to Shenzhen, the Culture & Technology Corridor enjoys the strategic locational advantage. It will provide expansion space for innovation hub and serve as an anchorage of enterprises and academic institutions. The ecosystem for the local arts and cultural sector can be fostered by capitalising on the cultural resources of the New Territories.

² For further details, please refer to *Edward Glaeser on the Economics of Cities and the COVID-19 Pandemic — "On Cities" Masterclass Series* [Video] from Norman Foster Foundation (2021) and Paul Romer's *Interview on Urbanization, Charter Cities and Growth Theory* (2015).

(2) Modern Logistics & Business Circle

The Modern Logistics & Business Circle encompasses the Government's planned HSK NDA and Yuen Long South Development, together with the proposed PDAs in Hung Shui Kiu extension and Yuen Long South-east. This area is designed to further the development of Hung Shui Kiu, which is planned as a regional economic & civic hub for the North-west New Territories. The development of this Circle also focuses on the provision of a quality living environment that appeals to talents and enterprises.

(3) Living & Recreation Space

The Living & Recreation Space stretches across the planned public housing development at Kam Tin South and three PDAs, namely Kam Tin North, Kam Tin South extension, and Lam Tsuen. These PDAs provide expansion space for neighbouring planned residential and suburban communities, foster a living environment close to nature, and promote nature and heritage tourism.

Furthermore, the development blueprint factors in how these PDAs and the planned NDAs could synergise with Hong Kong's territorial development and take it to the next level. With the proposed development in the New Territories, we will open a vital window of opportunities for Hong Kong to transcend its many constraints and transform into a liveable world-class city.

Forge ahead the challenges for our aspiration of a liveable city

While the previous three generations of new towns saw their first population intake within 7.5 years on average, it takes approximately 17 years for the recent NDA projects to do the same. Land development is often complicated by many factors, such as infrastructural capacity, site conditions, nearby land use, compensation and rehousing of existing occupants, to name a few. The long lead time required to untangle these issues has prolonged the NDA projects. This report identifies three major hindrances in urbanising the New Territories, namely the under-provision of infrastructure, difficulties in aligning stakeholders' interests, and failing land and housing policies.

As we envision a strategic plan for the New Territories that could revolutionise Hong Kong's territorial development, we can connect the dots among the NDAs and PDAs, which amalgamate into one massive region. In this regard, the strategic vision gives grounds for untangling the predicaments and necessitates investment in new infrastructures. The policy recommendations in this report will equip the society and the Government with more tools to expedite both the ongoing NDA projects and the forthcoming ones.

Prerequisite for expediting land development

Provision of Infrastructure

In anticipation of the development in the New Territories, the Government should expedite planned transport infrastructure projects and provide additional corridors to enhance the overall connectivity of the New Territories. In particular, the new strategic transport network under the LTV is a vital prerequisite to unleash the development potential of the New Territories, as it provides additional routes to bridge the North-west New Territories with the urban area. This report also puts forward alignment proposals for new major roads and railways that worth further study.

Infrastructures play an irreplaceable role in making a city function properly, and hence, an infrastructure-led development approach and timely investment are crucial to development realisation. In assessing the benefits of new transport infrastructure, the Government should consider a wider range of economic benefits, such as increased economic activities, revenue from the land sale, and higher development density of the railway catchment area. Similarly, we call on the Government to ensure timely provision, expansion and upgrading of other supporting infrastructures including sewerage network.

Stakeholders' interests

Recent development often meets strong opposition from the affected tenants and occupants. To minimise their resistance towards development plans, the Government should provide specific and targeted resettlement and compensation arrangement for each of the identified groups, i.e. brownfield operators, squatter residents, and farmers. As the earlier land resumption and clearance are commenced and completed, the sooner the subsequent construction work can begin.

Currently, development in the New Territories relies heavily on Government-led effort, as limited public-private partnership channels are available. To adopt a proper mechanism and unlock private-led development on lands without official plans, the Government should put together a toolbox of multiple land assembly approaches. With reference to overseas experiences and past cases in Hong Kong, this report suggests several options for the Government's consideration.

Policies and Administration

Considering the natural resources of the New Territories, the Government should promulgate suitable policies and actively balance the needs for conservation and development. We also call for a comprehensive review of all the key statutory and administrative process of new town development. These include public consultations, environmental impact assessments, and town planning procedures, et cetera.

This report also calls attention to reviewing the organisational structure of the Government. In the 1970s–1990s, we managed to build nine new towns for a rapidly growing population. Credit should be given to the then organisational structure that efficiently organised departments and bureaux to drive urban growth. Upon the citizens' earnest expectation for a way out of the dire land shortage, the Government should establish a dedicated department to spearhead the development of NDAs. We also call on the Government to enhance high-level steer on strategic planning and enact an outcome-based management approach in land creation.

A clear vision unites Hong Kong on land creation

City design and our well-being are inextricably linked. A poorly planned city cuts off people from social bonding and incites mental stress. On the flip side, a well-thought city enables its residents to feel more enthusiastic and engaged with the community. Despite the acute housing shortage, we cannot put the cart before the horse and neglect liveability elements in creating land supply. Society at large and the Government, the de facto urban planner for Hong Kong, should set their eyes on comprehensive planning and large-scale development to create liveable communities. We envision this report to set out a clear vision of a liveable New Territories, which will rekindle hope, inspire actions, and pull in support from the community on future land creation initiatives.