

# Executive Summary

## Streamline procedures to accelerate housing supply

Hong Kong people are known to have unwavering endurance. Still, having to endure a cramped, expensive and densely populated living environment for so long, people will eventually reach their limits and lose hope for the future.

In the past, we have made recommendations in various research reports on boosting land and housing supply. By focusing on large-scale land development to solve the supply problems, our recommendations include the Enhanced East Lantau Metropolis and large-scale urbanisation in the New Territories. Since then, these recommendations have been adopted by the Hong Kong Special Administrative Region Government (the Government) for the Lantau Tomorrow Vision and the Northern Metropolis respectively. However, even if these regional projects are eventually implemented, following the existing land development procedures, they will be long-term supply in 20 to 30 years. It is possible that the current procedures will cause the regional projects to degenerate into paper talk, which will not save the people from their current plight. **Nevertheless, the Government is not taking action to solve the supply problem in short-term.**

No matter it is large-scale land development or public housing construction, past development projects in Hong Kong have been trapped in a vicious cycle—projects get delayed due to slow progress, followed by toilsome efforts to catch up on back-loaded delivery. Taking the ten-year public housing supply projection as an example. Early in 2015, the Government had already clearly stated that housing supply will be back-loaded in the *Long Term Housing Strategy* (LTHS) annual progress report. Yet in 2021, i.e. five years had passed since 2015, the *Policy Address* still stated that housing supply in the next 10 years will continue to be back-loaded.

There is plenty of room to streamline and reorganise the current development process. Various non-governmental professional organisations, including Our Hong Kong Foundation (OHKF), have raised many suggestions. However, the Government remains largely unresponsive, and its reform efforts are far from sufficient. On the other hand, the suggestions put forward by various parties are rather fragmented, which are mostly focused on the individual aspects of land development and housing construction. **A consolidated proposal that integrates all suggestions and covers the entire land and housing development flow is still lacking.** Therefore, if the Government is to truly remove the barriers in order to provide housing amply and swiftly, its actions to date are far from being adequate.

## 300,000 units are required by 2025

According to our report published in April last year, we estimated that about 75,000 private housing units will be completed between 2021 and 2025 (*Decisive Moment—Can Hong Kong Save Itself from the Land and Housing Supply Crisis?*, 2021). According to the housing construction programmes of the Housing Authority (HA) and the Hong Kong Housing Society (HKHS), only 107,000 public housing units will be completed. In other words, based on current projections, **only approximately 180,000 public and private housing units will be completed by 2025. This is insufficient to make up for past supply gap and meet future demand.**

Since the LTHS was first presented in 2013, the Government has not achieved the housing targets in any of the past eight years. As a result, approximately 120,000 public and private housing units are in arrears. **To fill the shortfall, the Government must add 120,000 more units to the current estimated 180,000 units, delivering 300,000 public and private housing units in total by 2025—that is 60,000 units per year.** This supply target falls between the 85,000 units proposed by the former Chief Executive Mr Tung Chee Hwa and the 43,000 units proposed in the latest LTHS annual progress report.

## Tackle the challenge with no delay

To solve the housing shortage in the short run, we need to confront the challenge head-on. Comparing Hong Kong's housing crisis to a situation of water shortage, rather than digging a new well, which means developing non-spade-ready sites without infrastructures from scratch, a more feasible solution is to dig the existing well faster and deeper. This means **we should compress the development cycle by removing barriers, speed up the development of spade-ready or semi-spade-ready sites, establish clear and quantifiable targets, and catch up at full throttle.**

We estimate that approximately 230,000 public and private housing units will be delivered between 2026 and 2030. After reviewing each project, near 120,000 units are identified to be at the later stage of development. **If barriers are removed, 120,000 units can be completed ahead of schedule by 2025.**

Subsequently, the Government must **continue to accelerate the progress of the Lantau Tomorrow Vision and Northern Metropolis, which are scheduled to be completed after 2030.** In the longer term, we have proposed 9 Potential Development Areas (PDAs) for further study in a report published in 2021, titled *Building a Global City of the Future—Envisioning Sustainable Urbanisation of the New Territories*. It is estimated that over 3,000 hectares of developable land will be available in the PDAs.

## Identify the three levels of problems that impede housing supply

The problems hindering Hong Kong's housing supply are complex, but can actually be **categorised into three levels**. Only when all three levels of problems are solved will there be a real chance of unlocking the structural fetters that have long impeded Hong Kong's development and governance.

**The first level involves the vetting and approval procedures.** The current development procedures are burdened by various obstacles linked to repeated consultations, duplicate regulations, and inconsistent or unclear approval standards, which caused unnecessary delays in housing developments. To breakthrough, the Government must speed up housing supply by streamlining development procedures, reducing excessive or repetitive public consultations and hearings, and leveraging market power to promote public-private partnerships.

**The second level involves the civil servant efficiency.** In a work environment without clear goals and responsibilities, civil servants lack incentives to perform and have gradually developed a pessimistic work culture. To breakthrough, the Government must expeditiously set an overarching inter-departmental goal to significantly boost land and housing supply, strengthen high-level steering and the accountability mechanism, and supervise each relevant department to develop its own corresponding quantifiable performance indicators. Furthermore, the Government should boost the efficiency and morale of civil servants by introducing a performance-based evaluation mechanism, and a corresponding reward and punishment system.

**The third level involves social consensus.** While Hong Kong is facing an unprecedented housing crisis, our society is still highly fragmented by the various rigid individual beliefs on the ideal supply path or development model. Without making the rational judgments and necessary trade-offs, our society is struggling to make any progress. The Government must lead its citizens to understand the real demands during this extraordinary time. Moreover, the Government must be open-minded in exploring any option that has the potential to substantially increase housing supply.

## “Speed up, efficiency up, and mass up” to solve the housing crisis

To address the three levels of problems mentioned above, **this report proposes three major recommendation directions, namely “speed up”, “efficiency up”, and “mass up”, covering 23 detailed recommendations (Table I)**. By reorganising the work procedures of large-scale development, private housing, and public housing projects, the Government can remove the barriers and expedite the development vetting and approval procedures. Also, the Government can activate the optimal performance of civil servants by enhancing accountability and launching a performance-based reward and punishment system. Furthermore, the Government must proactively facilitate different land supply options and increase the manpower of the construction industry, to create a land reserve and boost development capacity. We believe these recommendations will not only help accelerate housing supply in the short to medium term, but also enable the early completion of medium to long term development projects, such as the Northern Metropolis and the Lantau Tomorrow Vision.

## The hope to shorten public rental housing waiting time is still alive

As of the end of September 2021, general applicants for public rental housing have reached 153,700, with an average waiting time of 5.9 years (Housing Authority, 2021).

After reviewing each of the public and private housing project expected to be completed between 2026 and 2030, we found that **approximately 123,000 units are at the later stages of development and have the potential to be brought forward to complete in 2025 or earlier.** This involves approximately 22,000 units from private housing projects. To accelerate project commencement and construction, we recommend to suitably relax the importation of professional labour and streamline the building plan vetting and approval process. The remaining 101,000 units are from public housing projects, of which approximately 15,000 units are in the planning and land administration process. We recommend accelerating the land resumption and clearing works and proceed with the detailed design and site formation of the remaining phases of a New Development Area (NDA) in parallel. The other 86,000 units are in the site formation and design process. We recommend to reintroduce the Private Sector Participation Scheme (PSPS) and popularise the applications of Modular Integrated Construction (MiC) to enhance construction efficiency.

If the recommendations in this report are adopted, and if 100,000 public housing units can be completed by 2025, we estimate that **the number of public rental housing general applicants will be reduced to less than 100,000 by 2026, and the average waiting time will be reduced to 3.7 years.**

## Unlock the short, medium, and long term housing supply in tandem, break through and lay the foundation for the future

Whether it is to fill the past supply gaps in the short term, or to facilitate long-term land development projects such as the Northern Metropolis and the Lantau Tomorrow Vision, these efforts may eventually be shelved in the endless process of “study after study, consultation after consultation” under the current cumbersome development cycle, if the Government is to continue with business as usual. Hong Kong people already live in dire straits, and can no longer bear the endless debates and excuses. The public urgently needs a clear direction and the commitment to the way forward.

To reverse this situation, the Government must significantly streamline the current development procedures, clarify supply targets, enhance high-level steering, and make every effort to shorten the housing development cycle. There is no better time than now to push for reform. We must turn the tide, to overcome the social dilemma of largely ignoring the short term supply and losing confidence in the medium to long term supply.

Table I

## Summary of the three major recommendation directions

Speed  
up



### Large-scale developments

1. **Simplify public engagements and Environmental Impact Assessment procedures**
  - Simplify and consolidate public engagement under various ordinances
  - Broaden the definition of minor works to simplify land gazetting process
  - Shorten environmental survey and report production time, and define clear objectives for each evaluation criteria
2. **Proceed with reclamation works and town planning procedure simultaneously**
  - Divide development projects into reclamation and superstructure development for reclamation works and town planning procedure to proceed simultaneously
3. **Accelerate land assembly to unleash the development potential of private lands**
  - Study on various land assembly models
  - Establish a new mechanism to unleash the development potential of Tso/Tong lands
4. **Commence detailed designs in all phases in parallel**
  - Begin land resumption and clearing works in advance
  - Adopt targeted measures for various occupiers to smoothen the resumption process
5. **Appoint developers to build some infrastructures to bring forward private development projects scheduled for later phases**
  - Initiate land exchange procedures for private lands in the remaining phases during phase 1
  - Introduce an appropriate mechanism in land exchange to entrust developers with road construction near private developments

### Private housing developments

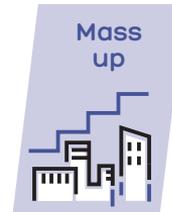
6. **Release Comprehensive Development Areas**
  - Divide Comprehensive Development Areas into smaller sites according to size and ownership distribution
  - Establish precise and quantifiable approval criteria for Master Layout Plans
7. **Enhance town planning procedure**
  - Shorten the time required for the town planning procedure
  - Rationalise arrangements under the town planning procedure
8. **Accelerate urban redevelopment**
  - Introduce measures to accelerate private redevelopment projects, such as lowering the threshold for compulsory sales, exploring the transfer of plot ratio, raising plot ratio in some urban areas, street consolidation, and interchangeability between residential and nonresidential plot ratios
  - Reflect the corresponding changes in the Outline Zoning Plan following the research by the Urban Renewal Authority, and adopt a more flexible compensation strategy
9. **Simplify land leases**
  - Exclude specific requisites if they are already covered in relevant regulations or overseen by other departments
10. **Accelerate lease modification procedure**
  - Extend the use of “standard rates” to all lease modification applications for agricultural lands in the New Territories
  - Establish a clear timeframe for reviewing and approving lease modifications
11. **Strengthen the functions of the Development Projects Facilitation Office**
  - Serve as a decision-making body that coordinates land development approval works and aptly balance the requirements from different departments
  - Act as the first and only point of contact between the Government and developer

### Public housing developments

12. **Make proactive and professional judgments during district consultations**
  - Recognise the consultative functions of the District Council, and instruct departments to respond to relevant feedback with professional judgment to proceed swiftly to the next phase
13. **Draw reference from the practice of the past Private Sector Participation Scheme to improve construction efficiency**
  - State sizes and quantities of residential units in tender documents
  - The Housing Authority or Hong Kong Housing Society can randomly select some of the completed units for repurchase at a predetermined price
14. **Enhance transparency and accountability of public housing projects**
  - Establish a “one-stop” platform to disclose the progress of various public housing projects
  - Formulate public housing supply schedules for the next 10 years



15. **Establish a dedicated department to spearhead large-scale regional developments and strengthen high-level steering**
  - Draw reference to the Territory Development Department to establish a dedicated department for regional development
  - Set up a project office for each New Development Area
  - Develop suitable industrial policies for each New Development Area
16. **Based on the Government's inter-departmental top-tier land and housing supply goals, each relevant departments should set their own corresponding quantifiable performance indicators**
  - Planning Department is suggested to set targets for successful rezoning of land into residential developments
  - Lands Department is suggested to set targets for successful approval of land for residential developments
  - Civil and Engineering Development Department is suggested to set targets for completing site formation works for residential developments
  - Building Department is suggested to set targets for successful approval of new private housing
  - Housing Department is suggested to set targets for newly completed and commenced public housing
17. **Introduce a performance-based reward and punishment system that encourages civil servants to accelerate housing supply**
  - Offer performance bonuses
  - Offer special bonuses based on economic performance
  - Establish a performance-based promotion evaluation mechanism



18. **Increase the development density of the New Territories to reflect the current demands of society**
  - Benchmark against Shenzhen to enhance the development density in the border area where appropriate
  - Realise the development potential unlocked by the Northern Link
19. **Review for a reasonable distribution of green land to improve living spaces**
  - Review for a reasonable distribution of green land in Hong Kong, by drawing reference from other global cities
  - Allow "green belt" to be included in private residential development for non-domestic use
20. **Review the planning of the wetland buffer area**
  - Review the planning intention for wetland buffer area and study the feasibility of the "transfer of plot ratio" planning tool
21. **Draw reference from the "white zone" planning tool and establish a land reserve mechanism**
  - Draw reference from the "white zone" planning tool and allow greater flexibility in land use
  - Explore a suitable land reserve mechanism
22. **Enhance the overall construction capacity**
  - Expand the scope of the Supplementary Labour Scheme to include supervisors and professional roles, and simplify application procedures where appropriate
  - Create favourable conditions for the large-scale applications of MiC and BIM
23. **Facilitate robust development of the industry**
  - Encourage "professional self-inspection" as much as possible and maintain an appropriate balance of regulatory and industry manpower
  - Study new tendering models that encourage healthy competition in the market
  - Explore appropriate mechanisms to extend measures of "security of payment" to private development projects to accelerate cash flow and dispute resolution
  - Adopt proper measures to popularise "Design for Safety" in the industry to identify and eliminate safety risks in the early stage of planning and design