

HKIS's 10 Suggestions on 2023 Policy Address

The Chief Executive of the Hong Kong Special Administrative Region, Mr John LEE Ka-chiu, will release the 2023 Policy Address on 25 October. The Hong Kong Institute of Surveyors (the "HKIS") had been concerned about the development of building, housing, and land policy in Hong Kong, and has put forward the following ten recommendations aimed at addressing current challenges and promoting future development from multiple perspectives. The HKIS sincerely hopes that the Government could extensively solicit opinions from different stakeholders and incorporate them into the improvement plans in the Policy Address, bringing positive changes to the development of housing, construction, and land in Hong Kong.

I. Housing Policy

(1) Review of Public and Subsidised Housing Policies

To avoid the abusive use of public housing, The HKIS suggests that the Government should tighten the Well-off Tenant Policies, lower the threshold for paying additional rent, adjust rent payable to 3 to 4 times the normal rent. Simultaneously, income and asset limits should be lowered to facilitate the turnover of vacant public housing units. To prevent more rental public housing units from flowing into the open market, the Green Form Subsidised Home Ownership Scheme should be halted.

Regarding the resale of Home Ownership Scheme ("HOS") flats, HKIS is pleased to see that from 2022 onwards, all HOS owners will not be able to apply for the resale of their flats at a supplementary land price for the first 15 years. Hence, The HKIS believes that HOS flats sold in the future should only be allowed to be sold to a nominee by the Housing Authority at a price agreed upon by the owners themselves in the HOS secondary market and cannot be sold on the open market through land premium.

Furthermore, the operation rights of transitional housing are scattered, with different application eligibility and no unified allocation mechanism. HKIS believes that the Government can consider entrusting professional organisations to assist in coordinating the allocation arrangements and preview and make timely recommendations on the selection of suitable transitional housing sites, that can be redeveloped into single-block rental public housing.

(2) Addressing Housing Needs of the Elderly, Youth, and Non-local Talents

The HKIS advises that in the future, part of the land in new development areas can be used as senior communities or talent apartments. The scope of existing Talent Apartments could be expanded through other means. Additionally, the Government should actively consider utilising idle land or leasing suitable hotels to establish youth hostels. Regarding

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private development projects, the Government can encourage developers to build more elderly-friendly flats by increasing the additional plot ratio as an incentive or offering concessionary land prices. Alternatively, the Government can refer to the case of Affordable Housing in foreign countries and require private developers to allocate a certain proportion of private housing at a discounted price to eligible young people for ownership.

(3) Optimisation of Tax Arrangements in the Private Market

Considering that the tone of Hong Kong's economy and the pace of recovery in the past few months has not been as satisfactory as expected, The HKIS suggests that the Government should fine-tune its demand management measures, including the Special Stamp Duty, Buyer's Stamp Duty, and New Residential Stamp Duty, based on the latest market conditions. With the current sluggishness in the local property market and the disappearance of speculative activities, The HKIS believes that these measures are no longer applicable.

To attract foreign talents and encourage investment in the local property market, The HKIS proposes to abolish the "pay before refund" tax arrangement and waive the 30% tax payable by foreigners for their first home purchase in Hong Kong.

Furthermore, to alleviate the financial pressure of citizens who acquire a new residential property as a replacement and promote the upward mobility of "property changers", HKIS proposes to enhance the 15% Ad Valorem Stamp Duty ("AVD") arrangement and relax the AVD for new residential buildings. Additionally, for buyers who already hold properties in Hong Kong, waiving the high amount of tax when they purchase a second property will also help stimulate investment and demand in the secondhand property market.

Moreover, HKIS suggests that the Government exclude the parameter of household income for public housing and subsidised sale housing from the index of home purchase affordability to enhance its relevance as a reference.

II. Recommendations for Building Policies

(4) Enhancing Building Safety Standards in Hong Kong

(a) Establish a Building Repair Authority

Given that the aging issue of buildings is becoming severe in Hong Kong, HKIS suggests establishing a separate authority called the "Building Repair Authority". This authority would have broader and more flexible powers to take over inspection and repair works of buildings that have not undergone inspections and repairs due to various reasons and implement them efficiently. For instance, a joint inspection and repair contract could cover multiple adjacent buildings with similar characteristics and construction to enhance efficiency.

(b) Set up a Sinking Fund as a Maintenance fund

To address the issue that some property owners have difficulty affording significant maintenance costs, it is suggested that the Government should require building corporations

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to set up a Sinking Fund as a maintenance fund. A certain proportion of the monthly property management fee should be allocated to the fund for future maintenance and repair works, to avoid compromising building safety due to residents' inability to afford the associated costs. The fund should be on separate and independent building account but collectively managed by the proposed Building Repair Authority

(c) Crackdown on Illegal Structures

Considering the time-consuming administrative and legal procedures and lenient fines or penalties for unauthorised building works, the issue of unauthorised building works and noncompliance remains prevalent. The Government should implement more substantial fines and penalties for noncompliance with statutory orders and utilise a fixed penalty method to enhance enforcement efficiency. Due to the significant burden of proof faced by the Building Authority in identifying the perpetrators, it is difficult to achieve successful prosecutions. In view of this, the Government should consider treating the "keeping" of unauthorised building works as a criminal offense, subject to appropriate penalties.

(5) Promotion of Pre-purchase Inspection of Second-hand Residential Properties

Some second-hand residential properties may have forth unauthorised building works and inherent structural issues, posing potential safety risks to buyers. To safeguard the interests of both buyers and sellers, it is recommended that the Government promote and support homebuyers in appointing professionals such as Building Surveyors to conduct pre-purchase inspections of the units, ensuring prospective owners can gain a comprehensive understanding of potential liabilities associated with the property.

(6) Gross Floor Area Concessions for Car Parks in Private Residential Buildings

Considering the complexity involved in the construction and maintenance of underground car parks, HKIS has actively advocated for the constructions of above ground car parks. It is worth noting that the Government has recently granted full Gross Floor Area concessions for above ground car parks in subsidised housing projects conducted by the Hong Kong Housing Society and the Urban Renewal Authority. HKIS believes that this policy should be consistently applied to other private housing projects as well.

III. Land Policy Recommendations

(7) Maximising Land Development for Hong Kong's Expansion

(a) Promote the Development of the Kau Yi Chau Artificial Islands

HKIS supports the Government's development strategies for the Kau Yi Chau Artificial Islands and Northern Metropolis. However, the Government should explain more to the Public about the related road and railway infrastructure provided therein as part of the overall improved transportation network in Hong Kong, rather than simply focusing on the debate on land reclamation.

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(b) Promote the Development Strategy of the Northern Metropolis

Due to the potential market changes and the interests of various stakeholders involved in the development of the Northern Metropolis, HKIS suggests that the Government increase the flexibility for change in land use and promptly announce the development timetable. This will enable the public and property landlords to participate in the development and accelerate the efficiency with market forces. Additionally, HKIS supports the adoption of “standard rates” premium for land applications in the New Territories. However, the Lands Department should review such assessment parameters regularly to reflect the latest market situation. In view of the diversified modes of land grants in San Tin Technopole, HKIS believes that the Government should formulate a transparent and clear mechanism to attract leading enterprises and star start-ups to enter Hong Kong.

(8) Unlocking the Development Potential of Idle Land

Many of private lands within the Village Environs (“VE”) are not owned by indigenous villagers and cannot be used for small house development practically, resulting in inefficient utilisation of land resources. Therefore, the Government should review such policies on land exchange applications for private development (non-small houses) in these areas. Additionally, for underutilised Government, Institution and Community (“GIC”) lands such as vacant school premises, the Government should use these idle lands to rezone for private residential development or even public housing. When handling land approval arrangements, the Government should help land applicants solve land problems and handle the approval process in a flexible manner so that more land resources can be properly utilised.

(9) Improving Infrastructure

(a) Continue Implementing "Infrastructure-led" Development

The lag in infrastructure development has always been a significant obstacle to land development. The Government should continue to adhere to the "infrastructure first" development principle to ensure that infrastructures are in place promptly. This will not only increase the incentives for developers to expedite the production of flats on private land, but also improve accessibility in the area, unlock more tourism and natural resources, such as the “runway area” of Kai Tak and southern Lantau Island.

(b) Encourage Private Developers to Build Public Facilities

The Government should streamline the approval process for providing Government, Institution and Community (“GIC”) and Public Passage facilities in Government tender sites and private developments, encouraging developers to incorporate more of these facilities in private developments.

(c) Continuously Improve River and Waterfront Environments

HKIS welcomes that The Government proposed in "Hong Kong 2030+" to upgrade Hong Kong's Blue-Green Assets, including optimising waterfront areas and improving river channels (such as the Tsui Ping River and the Kai Tak River). HKIS hopes that the Government will

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continue to enhance Victoria Harbour and its waterfront areas, making them more attractive tourist destinations.

IV. Other Policy Recommendations

(10) Committed to Promoting Sustainable Development

(a) Develop Hong Kong as a Green and Sustainable Financial Hub

In the current Stock Exchange Guidelines, the disclosure of Scope 3 greenhouse gas emissions (which means indirect emissions outside of scope 2 emissions that occur in the value chain of the issuer) by listed companies is not regulated. This results in inconsistencies in the information disclosed by companies. HKIS proposes to define the Scope 3 emissions based on the Greenhouse Gas Protocol and allow professionals to define the minimum scope of disclosure. Taking the real estate industry as an example, HKIS recommends including tenants' greenhouse gas emissions, waste, and sewage disposal from new buildings in the scope. To ensure consistency between ESG report of a listed company and rest of its annual report, HKIS believes that it is necessary to expedite the implementation of requiring listed companies to have ESG "auditor" 's verification for ESG reports. For instance, ESG reports in the real estate industry should be verified by real estate expert such as General Practice Surveyors to ensure that the information disclosed is correct.

(b) Promote the Popularisation of Electric Vehicles (EVs)

To promote smart mobility, the Government should encourage citizens to replace their petrol and diesel vehicles with tax incentives. Additionally, HKIS also believes the Government should not only actively promote the installation of EV charging stations in Government buildings and public areas but also encourage private sectors to establish more EV charging stations to expand the EV charging network.

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The Press Conference regarding HKIS's suggestions on the Policy Address 2023
Photos



Photo 1: (From left to right) Sr LAU Chun-kong, JP, Past President and Chairman of Land Policy Panel of The HKIS; Sr WONG Kwok-leung, Paul, President of The HKIS; Sr HO Kui-yip, Vincent, MH, JP, Past President and Chairman of Building Policy Panel of The HKIS; Sr CHIU Kam-kuen, Immediate Past President and Chairman of Housing Policy Panel of The HKIS, present ten suggestions for the Policy Address 2023.



Photo 2: Sr WONG Kwok-leung, Paul, President of The HKIS, provides an introduction to the expectations and recommendations for the 2023 Policy Address.

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Photo 3: Sr CHIU Kam-kuen, Immediate Past President and Chairman of Housing Policy Panel of The HKIS, provides an introduction to the recommendations of HKIS regarding the housing policy.



Photo 4: Sr HO Kui-yip, Vincent, MH, JP, Past President and Chairman of Building Policy Panel of The HKIS, provides an introduction to the recommendations of HKIS regarding the building policy.

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Photo 5: Sr LAU Chun-kong, JP, Past President and Chairman of Land Policy Panel of The HKIS, provides an introduction to the recommendations of HKIS regarding the land policy.

High resolution photos can be downloaded [here](#).

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About The Hong Kong Institute of Surveyors

The Hong Kong Institute of Surveyors (HKIS) is the only surveying professional body incorporated by ordinance in Hong Kong. As of 3 October 2023, the number of members reached 10829, of which 7742 were corporate members. HKIS work includes setting standards for professional services and performance, establishing codes of ethics, determining requirements for admission as professional surveyors, and encouraging members to upgrade skills through continuing professional development.

The Institute has an important consultative role in Government policy making and on issues affecting the profession. We have advised the Government on issues such as building safety and unauthorised building works, problems of property management, town planning and development strategies, construction quality, construction costs and housing problems. We have also issued guidance notes on floor area measurement, real estates valuation and land boundary survey, etc.

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