

Insights

HONG KONG GOVERNMENT'S POLICY ADDRESS 2020

KEY TAKEAWAYS PRIMARILY RELEVANT TO THE REAL ESTATE AND INFRASTRUCTURE SECTOR

Nov 25, 2020

SUMMARY

This year's Policy Address was delivered today (25th November 2020) amidst the backdrop of a changing and dynamic environment. The Chief Executive ("CE") has set out a variety of key initiatives to address the city's land and housing supply, infrastructure, the environment, collaboration with the Greater Bay Area ("GBA"), and HK's ongoing role as an international financial center. We set out a list of key takeaways below highlighting primarily those aspects involving real estate and infrastructure.

OPENING

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LAND SUPPLY

Increasing land supply is a top priority of the Government. At present, the Government has identified new land supply with a total area of 90 hectares along the Northern Link, including the San Tin / Lok Ma Chau Development Node.

Further initiatives to support the increase of land supply include:

- Development of Siu Ho Wan Depot Site. Based on the latest assessment, it is expected that the Site may provide about 20,000 residential units in the medium to long term.

- Redevelopment of urban squatter areas in Cha Kwo Ling, Ngau Chi Wan and Chuk Yuen United Village for the purpose of high-density public housing. Site formation and infrastructure works may begin in 2025.
- Utilizing privately-owned land through a three-year Land Sharing Pilot Scheme that was first implemented in May. Initial discussions have begun with interested land owners.
- Development of Tuen Mun West, specifically in relation to reclaimed land.

The Chief Executive also emphasized the Lantau Tomorrow Vision as an initiative that could provide the greatest amount of land. The current application is to conduct studies on the artificial islands involving the reclamation of 1,000 hectares and supporting transport infrastructure. The Lantau Tomorrow Vision will create new land (instead of just changing the use of existing land from one to another) and under which 70% would be allocated to public housing.

HOUSING SUPPLY

The CE has strived to increase housing supply through various initiatives. These initiatives include regularizing: the Green Form Subsidised Home Ownership Scheme (GSH); the White Form Secondary Market Scheme; the Starter Homes (SH) pilot projects; and the selling prices of the subsidized sale flats (SSFs).

In order to address the needs of families waiting for public rental housing (PRH) and residents in poor living conditions, the Government has committed to:

- Providing 15,000 transitional housing units within three years;
- Launching a trial scheme to provide cash allowance for low-income families awaiting PRH allocation ; and
- Conducting a study on tenancy control for subdivided units (SDUs).

As for its Long Term Housing Strategy, the Government has already identified the 330 hectares of land required to produce 316,000 public housing units in the coming 10 years (from 2021/22 to 2030/31).

The supply of subsidized housing would also be increased via the Home Ownership Scheme (HOS) and GSH. Around 7,000 HOS flats were sold at 60% of market price this year. Around 4,700 GSH flats will be put up for sale in phases next year. The Government is also looking to put up over 700 recovered flats under the Sale of Recovered Tenants Purchase Scheme.

Finally, the Urban Renewal Authority is currently building additional Starter Homes with the next project expected to yield 260 units for sale in 2024.

INFRASTRUCTURE INITIATIVES

The Government acknowledged that investment in infrastructure is “*conducive to economic development*” and should not be scaled back in periods of economic downturn. To avoid impeding the development of the city, the Government has committed to an annual expenditure of over HKD100 billion on average over the next few years on infrastructure projects. The following is a summary of some of the ongoing and proposed projects mentioned in the 2020 Policy Address:

Developments

- **Airport Developments:** The Airport Authority Hong Kong (AAHK) will go ahead with commissioning of the Three-Runway System in 2024 as planned. Development projects around the Hong Kong International Airport will also continue, these include a premium logistics centre and the SKYCITY project.
- **AAHK proposals:** the Government has accepted a number of proposals put forward by the AAHK including developing automated car parks on the Hong Kong Boundary Crossing Facilities (HKBCF) Island of the Hong Kong-Zhuhai-Macao Bridge (HZMB), taking forward the Airport City Link project connecting SKYCITY and the HKBCF Island by constructing a bridge system, constructing the Hong Kong International Aviation Academy campus on the HKBCF Island, and reserving part of the land parcels on the HKBCF Island for the development of air cargo logistics and other related supporting facilities. The AAHK will brief the public separately on these proposals.
- **Urban Development:** Ongoing works to transform areas in Kwun Tong, Kowloon Bay and Kai Tak into Hong Kong’s second core business district will continue. This will increase commercial gross floor area to about 3.5 million square metres over the next two years.
- **Development of Tuen Mun West:** Developments include Chek Lap Kok Tunnel (scheduled for commissioning at the end of 2020) and the MTR Tuen Mun South Extension which is now at the detailed planning and design stage.
- **Invigorating Island South initiative:** This initiative looks to develop the Southern District in Hong Kong and proposes key projects such as formulating a proposal for the rebirth of Ocean Park, revitalising the Jumbo Floating Restaurant which will be donated to Ocean Park, enhancing cultural and leisure facilities in Aberdeen and Wong Chuk Hang, exploring the development of a water sports centre at the rehabilitated Shek O Quarry site under public-private partnership and expediting the redevelopment of old industrial buildings in Wong Chuk Hang. A multi-disciplinary professional team will be set up under the Hong Kong Development Bureau to coordinate and implement these projects.
- **Convention centre above the Shatin to Central Link:** The proposal to develop a new convention centre on the site above the Exhibition Station of the Shatin to Central Link will not go ahead

due to technical difficulties and cost concerns.

Transport Infrastructure

- **MTR Projects:** The MTR Corporation (MTRCL) will continue works on the Tung Chung Line Extension and Tuen Mun South Extension. The Northern Link planning and design work should commence shortly and will be expedited to tie in with public housing developments around the area. The MTRCL will also submit the South Island Line (West) project proposal to the Government by the end of this year.
- **Land Boundary points between Hong Kong and Shenzhen:** There are plans to implement co-location arrangements at the new Huanggang control point in Shenzhen to release over 20 hectares of land at the Hong Kong control point for other uses.

Innovation and technology

5G Infrastructure: The Government has been discussing the relocation of satellite stations with two satellite operators. Relocation and installation of the relevant facilities are expected to be completed in four years.

Agriculture

Agricultural and Fisheries Industries: An agricultural Park in Kwun Tung South will be established to facilitate the development of agro-technology and modernisation of farm management. Works on Agricultural Park Phase 1 will commence shortly and is expected to be completed in phases between next year and 2023.

Investments in infrastructure

- **District-Based Livelihood Projects:** The Government has proposed that LegCo should raise the expenditure ceiling of each minor works project funded under the block vote from the current HKD30 million to HKD50 million.
- **Convention and Exhibition Industry Subsidy Scheme:** This subsidy scheme commits over HKD1 billion to provide impetus for the convention and exhibition (C&E) industry in Hong Kong over the next year or so. Plans to redevelop the sites of the three Government towers in Wan Chai North and the Kong Wan Fire Station into C&E facilities, hotel and Grade A office will go ahead as planned.

STAMP DUTY

In light of the economic downturn caused by COVID-19 and the resulting decrease in demand and prices for commercial properties, the Government will abolish the Double Ad Valorem Stamp Duty imposed on non-residential properties.

The measure will take effect from 26 November 2020, and has the aim of facilitating businesses to cash out by selling non-residential properties in order to address the financial burden and liquidity issues caused by the recession.

There are currently no plans to adjust any of the stamp duty rates in relation to residential properties.

ENVIRONMENT

Environmental protection and conservation policies continue to be a priority. The Government has announced a series of environmental protection measures to compliment the various infrastructure initiatives under the policy address.

Lantau Tomorrow Vision

In relation to the Lantau Tomorrow Vision, the Government proposed to develop a carbon-neutral community, and to minimise the environmental impact by absorbing local public fill instead of sending it to sites outside Hong Kong for reclamation.

Energizing Kowloon East

In line with the Energizing Kowloon East initiatives, the Government proposed to implement a multi-modal Environmentally Friendly Linkage System (EFLS) in the district. The proposed system introduces a number of environmentally friendly transportation infrastructure, including:-

- new bus and green minibus routes in the area;
- developing a travellers network linking up the former runway of Kai Tak, the Kowloon Bay Action Area and the MTR Ngau Tau Kok Station;
- providing a GreenWay network running through promenades and open spaces in the Kai Tak Development Area for shared use by pedestrians and cyclists;
- constructing an elevated landscape deck to connect the MTR Kwun Tong Station; and
- establishing a water-taxi stand in the Kai Tak Development Area.

The Development Bureau will release the details by the end of this year and gauge public views on the proposed multi-modal EFLS.

Environmental Protection Blueprint

The Government announced plans to launch a long-term strategy blueprint on environmental protection. The proposed plans will see the Environment Bureau adopt various new environmental protection measures, and will further improve green recovery while creating economic opportunities

and stimulating the infrastructure sector. Under the policy address, the Government has proposed plans to:

- subsidise existing private residential estates to install electric vehicle charging-enabling infrastructure in car parks;
- expand the recycling network in all 18 districts in Hong Kong; and
- introduce the Green Tech Fund.

Reduce Carbon Emission

The CE has announced a number of policies aimed to reduce carbon emission in Hong Kong, and to achieve carbon neutrality before 2050:

- exploring different types of zero-carbon energy and decarbonisation technologies;
- enhancing the energy efficiency of both new and existing buildings;
- promoting zero-carbon vehicles and green transportation, and building large-scale waste-to-energy facilities; and
- developing green finance to boost investments conducive to reducing carbon emissions.

Waste Reduction

To reduce waste in Hong Kong, the Government plans to diversify outlets for local waste paper, including the implementation of a waste paper collection and recycling services programme.

There are also plans to tender for the development of a modern pulping facility in EcoPark, Tuen Mun that would utilise the latest waste paper pulping. The Government expects to invite tenders in the first half of 2021 and the pulping facility is expected to commence operation by 2024.

Green Industry

Under the Policy Address, the Government will invest in a series of environmental projects in the next few years, creating an estimated 4000 job opportunities in sectors such as scientific research, architecture and engineering as well as recycling and transport.

GREATER BAY AREA INITIATIVES

Prior to the Policy Address, it was widely expected that policies on the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) would be a focus of the address. In the Policy Address, the Government has expressed a desire to continue to support the Central Government in promoting the

development of the GBA, stating that the Central Government has endorsed 24 policy measures that were previously approved in principle by the Leading Group for the Development of the GBA.

In accordance with the Outline Development Plan by the Central Government from February 2019, the Government will continue to work with the Central Government to implement a range of policies in the GBA in relation to the development of financial, legal and professional services as well as in relation to promoting residents to work, live and study in Mainland cities of the GBA. The following is a summary of specific measures in relation to the GBA as designated under the Policy Address:

- **Specific cooperation projects:** There are several cooperation projects that Hong Kong will participate in, including providing support in the GBA for holders of Hong Kong insurance policies, implementing drug and medical device-related policies at the Hong Kong-Shenzhen Hospital, supporting a streamlined approval process for Chinese medicine products and continuing on with the “Quota-free scheme for Hong Kong private cars travelling to Guangdong via the HZMB”.
- **Hong Kong-Zhuhai Airport Co-operation:** The Central Government has expressed support for the Government’s proposal for AAHK to inject equity in the Zhuhai Airport. The Civil Aviation Administration of China is also preparing for the provision of cross-boundary commercial helicopter services between Guangdong and Hong Kong.
- **Technology cooperation:** a Shenzhen / Hong Kong Innovation and Technology Co-operation Zone (SITZ) will be developed at the Lok Ma Chau Loop. The Governments of Hong Kong and Shenzhen are exploring the possibility of allowing the Hong Kong Science and Technology Parks Corporation (HKSTPC) to lease and manage certain areas of the Innovation and Technology Zone in Futian, Shenzhen.
- **Hong Kong businesses in the GBA:** The Hong Kong Trade Development Council will launch a “GoGBA” platform to assist in providing support to Hong Kong enterprises in relation to operating businesses in the GBA. The support will include training and business support to enterprises. In addition, HKD50 million has been set aside by the Government under the Professional Services Advancement Support Scheme to subsidise major professional bodies to participate in related activities.
- **Wage Subsidies:** Wage subsidies will be provided by the Government to Hong Kong technology companies to encourage the hiring of employees in Mainland cities of the GBA.
- **Greater Bay Area Youth Employment Scheme:** This scheme will provide 2,000 employment positions and encourage enterprises with operations in both Hong Kong and the GBA to recruit graduates from Hong Kong universities to work in Mainland GBA cities. There will also be continued support from GBA cities for the Hong Kong Youth Development Fund to support young entrepreneurs through, for example the provision of co-working bases in GBA cities.

FINANCE

Hong Kong will continue to consolidate its position as an international financial center:

- **Promotion of REITs:** The Government proposed plans to promote real estate investment trusts (REIT) and develop Hong Kong into a vibrant REIT market in Asia. Various measures are being considered, including relaxing the investment restrictions of REIT as appropriate; broadening the investor base; facilitating market operations through legislative and regulatory enhancements; and stepping up market promotion and investor education.
- **Mutual Access between Hong Kong and Mainland Financial Markets:** The Central Government and Hong Kong will move to allow pre-profit biotechnology companies to be included in mutual market access programmes if such pre-profit biotechnology companies are listed under the new Hong Kong listing regime or on the Mainland Sci-Tech Innovation Board, subject to certain prescribed criteria.
- **Development of PE funds:** In order to attract private equity funds, the Government will provide tax concessions for carried interest for private equity funds operating in Hong Kong subject to the fulfilment of certain conditions. An amendment bill is to be introduced in LegCo shortly.
- **Family Office Business:** Finally, to further develop the family office business in Hong Kong, InvestHK will set up a dedicated team to offer comprehensive support services to family offices which are interested in establishing in Hong Kong. The Government will also look to expedite the implementation of the cross-boundary wealth management connect scheme.

END NOTE

Plenty for the Government to implement and hopefully great scope for participation from the various stakeholders involved in the lifecycle of RE and Infrastructure. As always the Real Estate and Infrastructure team here at Bryan Cave Leighton Paisner is ready to discuss any of these issues in more detail.

RELATED PRACTICE AREAS

- Commercial Real Estate
- Commercial Construction & Engineering
- Construction Disputes
- Planning & Zoning
- Government Contracts & Public Procurement
- Environment

MEET THE TEAM



Andrew MacGeoch

Co-Author, Singapore /
Hong Kong SAR

andrew.macgeoch@bclplaw.com

[+65 6571 6625](tel:+6565716625)



Ilan Freiman

Co-Author, Singapore /
Hong Kong SAR

ilan.freiman@bclplaw.com

[+65 6571 6610](tel:+6565716610)



Glenn Haley

Co-Author, Hong Kong SAR

glenn.haley@bclplaw.com

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