HKGCC

Hong Kong General Chamber of Commerce
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24 March 2025

Mr Vic Yau, JP
Director
Northern Metropolis Co-ordination Office
Units 506-507, 5/F, Shui On Centre
6-8 Harbour Road, Wanchai
Hong Kong

Dear Mr Yau,

Re: HKGCC Recommendations on the Development of the Northern Metropolis Initiative

The Chamber commends the Hong Kong Government for its continued driving of the Northern Metropolis ("NM") initiative, with the latest Budget measures[1] attesting to this commitment. Undoubtedly, the NM initiative entails an ambitious transformation of approximately one-third of Hong Kong's land supply, to support the strategic and sustainable growth of its economy and industries, and enhance its competitiveness, whilst also fostering deeper integration with the Greater Bay Area.

We believe there is immense value and potential for Hong Kong's business community to partner with the Government to bring this large-scale project to fruition, especially in the fields of professional services, innovation and technology, sustainability and logistics.

We therefore appreciate the earlier opportunity for the Chamber's Real Estate and Infrastructure Committee – which is our designated committee for reflecting industry views on key development issues – to engage with you and your team on the latest progress of the NM initiative on 12 February. Whilst we acknowledge the significant steps already taken in key zones such as Hung Shui Kiu and San Tin Technopole, we set out below several general recommendations on the development of our new metropolis in the short to medium term, covering views raised during the earlier engagement session, for consideration:

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[1] https://www.budget.gov.hk/2025/eng/lh.html

1. Areas of Focus for Holistic Development of the NM Initiative:

1.1. The success of the NM initiative rests largely on a comprehensive and future-proof strategy that seeks to bolster Hong Kong's competitive edge across the entire value chain and serve the needs of its growing population. To realise these objectives, we recommend that the Government prioritize the following areas:

1.1.1. Innovative Urban Planning: Drawing from past experiences of new towns developed in Hong Kong, we recommend the designing of an integrated and cohesive metropolis that strikes a suitable balance between commercial viability and liveability, whilst balancing environmental and sustainability considerations. Each of the key zones within the NM should also be equipped with robust transportation and road infrastructure, and other critical infrastructure, to ensure seamless connectivity with other business districts within the city, as well as with the Greater Bay Area, and support the flow of people, goods, services and information. Targeted positioning and development of specific facilities within the key zones would also facilitate ecosystem cultivation. Examples include the devising of a roadmap for retail and leisure facilities that keeps pace with developments in the cross-boundary consumption landscape. The NM can also serve as a good testbed to showcase Hong Kong's innovative advancements and smart-city solutions.

1.1.2. Promotion and Attraction of First Settlers: To ensure the achievement of a critical mass for the NM initiative, we suggest that strategies targeted at the attraction specific sectors of businesses and talents, as well as residents, including the facilitation of relocation and settlement.

2. Specific Considerations for the Pilot Large Scale Land Disposal Scheme ("LSLD"):

2.1. The development of the NM initiative depends largely on an efficient and sustainable land grant and exchange process. In implementing the Government's pilot large scale land disposal scheme for the latest three new development areas (NDAs) - Hung Shui Kiu/Ha Tsuen New Development Area (HSK/HT NDA), the Fanling North New Development Area and the San Tin Technopole[2] - we suggest that consideration be given to the following significant points:

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[2] https://www.nm.gov.hk/downloads/EOI_Large_scale_Land_Disposal_Eng.pdf

Design:

2.1.1. *Financing and investment Challenges:* The current proposals under the LSLD focus heavily on building public infrastructure and other supporting elements, in addition to residential areas. This presents a large investment risk to developers, given the uncertainties regarding land value and financial returns under the current economic climate. We urge the Government to recognize these challenges and set a land reserve price which aligns with market realities. In the same vein, a reasonable timeline and buffer between each land sale should be factored in to encourage healthy and vibrant market competition for the development projects – addressing the need for fund recovery following a successful bid, as well as the setting of a level playing field for both local, as well as Mainland and foreign developers. The inclusion of details on technical feasibility assessments presently conducted by the Government in the pilot area tender documents would also facilitate developers' decision on participation. Moreover, the allowance of Building Covenant extension and flexibility for developments that are retained by developers would also help to mitigate any potential negative impacts on developers' cash reserves. Another potential approach is for the Government share in the future proceeds/revenue or the profit of the development when property is sold, in exchange for the offer of a lower or zero land price. This would help to align the interests between developers and Government as well as reduce the risk premium to developers, which could ease the Government's fiscal burdens. To facilitate an optimal bid, the bidding documents should also clearly delineate the scope of infrastructure responsibilities borne by developers – e.g. broadband and electricity infrastructures to be excluded.

2.1.2. *Management of the Pilot Areas:* We note that each pilot area is designed to include specific statutory elements which support its strategic positioning, with an example being the inclusion of the Enterprise and Technology Park Sites in the HSK Pilot Area. At the same time, we suggest introducing a certain degree of flexibility in the management of developed NDAs, to cater for developers' specific interests, strengths and capabilities. This would facilitate the attraction of capital investment during the bidding process.

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Implementation:

2.1.3. *Streamlining Government Department Communication:* We advocate for effective and streamlined communication and coordination among various Government departments, especially during the handover of pilot area projects from developers to the Government. This will improve processes and prevent delays, the latter of which could have a considerable negative impact on developers' cash reserves - owing to such factors as increased holding costs and revenue delays – as well as reputation. Examples could include the establishment of a designated coordination department or agent to facilitate and further enhance communications between developers and the Government.

2.1.4. *Future Land Supply Roadmap:* We suggest that the public release of a specific roadmap on the Government's short, medium and long-term land supply strategy concerning the NM initiative, as well as the provision of frequent updates to it, would help boost participation in the tendering process. We would also welcome further clarification of whether any flexibility would be considered in Gross Floor Area (GFA) allocation for special land uses, e.g. the transfer of GFA from the Enterprise and Technology Park to residential purposes.

2.2. Please refer to the **Annex** for specific comments received from our members on potential areas of concern or clarification relating to the LSLD.

3. Conclusion

3.1. The NM initiative presents an unprecedented opportunity for Hong Kong to realise its strategic advantages in accordance with the 14th National Five-Year Plan. This calls for a holistic development strategy and the implementation of innovative and sustainable measures, supported by private-public partnerships.

3.2. We hope that the above suggestions will be useful for the Government in advancing the NM initiative and look forward to furthering collaborating with you and your team to create a better and more liveable Hong Kong.

Yours sincerely,

Patrick Yeung
CEO

Annex

Design:

1. The proposed area for the LSLD is very substantial, with a gross floor area of 10-20 million square feet and a land price of HK$20-30 billion. Given the significant capital investment, long development period, and high risks involved, some developers might be deterred from submitting bids, even in joint ventures. Does this scheme therefore favour larger local developers, and Mainland State-owned enterprise developers, who have greater financial strength and lower cost of capital?
2. Given the scale of these pilot areas, the number of potential bidders for each pilot area is expected to be very limited. Would the bidding prices be less competitive in this case?
3. Given the high construction costs, high risks, and high-interest environment, will the Government consider granting these pilot areas to developers at zero land cost?
4. Developers may need more time to evaluate the detailed information in the tender documents and engage consultants to estimate construction costs. Would the Government consider:
   - a longer tender period, such as 6 months?
   - extension of the time gap between each pilot area tender, e.g. to 9 to 18 months?
5. Would the Government consider extending the Building Covenant periods for completing the site formation works and public facilities?
6. Does Hong Kong have a sufficient supply of professionals who can serve as judges for the LSLD design, if the element of competition is introduced? Will there be any measures in place to avoid bias?
7. Could the Government provide more detailed and specific requirements in the tender documents regarding:
   - site formation works, engineering infrastructure works, and government and public facilities to be built by developers?
   - underground conditions of the development sites and the surrounding environment in each Pilot Area?

Implementation:

1. How would the Government manage the timeline for the LSLD, as there might be a possibility that LSLD developers develop profitable residential buildings first, and delay other supporting facilities?
2. Currently it seems that the Government is only empowered under the Outline Zoning Plans to control property design. Should its powers be extended to cover other matters?
3. Will the Government consider reclaiming the [(3)]? Enterprise & Technology Site (1.05 hectares, 5 PR) in the Hung Shui Kiu / Ha Tsuen Pilot Area?

Financing:

1. In relation to LSLD, as local developers are generally lacking cash flow to fund large scale projects, would the Government consider accepting payment of land premium in instalments? Or alternatively accepting a payment of minimum initial land premium from primary developers, along with a payment of dividends from the later secondary sale of land?
2. Would the collection of dividends be sufficient to finance the building of the time-sensitive infrastructures crucial for the NM's development?
3. Developers will factor in the estimated construction costs for building Government facilities and site formation in their tender price bids for the LSLD. Can the objective of reducing the Government's financial outlay therefore be realized?