

## LCQ10: Policy on private recreational leases

Following is a question by the Hon Mrs Regina Ip and a written reply by the Secretary for Home Affairs, Mr Lau Kong-wah, in the Legislative Council today (June 5):

Question:

The Government conducted a six-month public consultation on the policy on private recreational leases last year, and published the outcome of the consultation in February this year. It was recommended in the consultation paper that the leases currently held respectively by community organisations and private sports clubs be handled separately. For the 39 sites currently granted to community organisations, it was proposed to switch to the handling of them by way of special purpose leases. For the 27 sites granted to private sports clubs, it was proposed that they continue to be handled according to the current arrangements, but the Government would charge the sports clubs, upon renewal of their leases, a land premium of one-third of the full market value (FMV), and require them to open up their facilities further. In this connection, will the Government inform this Council:

(1) of the specific method to be adopted by the Lands Department for calculating the FMV land premiums of the sites currently granted to private sports clubs;

(2) given that the Government proposed in the consultation paper a transitional instalment option for land premium payment by private sports clubs upon renewal of their leases (i.e. 20 per cent of the land premium to be payable immediately upon renewal of leases and the remainder to be paid by five annual instalments, subject to payment of an interest at a fixed rate of 2 per cent per annum above the average best lending rate), whether the Government has decided to adopt this arrangement; if not, of the alternative arrangements;

(3) in respect of each of the 27 sites granted to private sports clubs, of (i) the total number of hours for which sports and recreation facilities thereat were opened to eligible outside bodies, as well as (ii) the average monthly total hours of sports programmes (which were co-organised with sports organisations and were opened for participation by the public) held thereat, last year (set out in the table below); and

	Name of private sports club	(i)	(ii)
1.	Aberdeen Boat Club		
.....	.....		

27.	Yau Yat Chuen Garden City Club		
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(4) as individual private sports clubs have indicated that due to space constraints, they are unable to adjust their positioning and membership policy so that they may be treated as community organisations, and they even need to raise funds by drastically increasing membership fees in order to meet the expenditure on land premiums, which may make them become sports clubs exclusive to only a small number of rich people, whether the Government has assessed if such a situation will arise and what concrete solutions are in place?

Reply:

President,

The Governemnt completed the review on the policy on Private Recreational Leases (PRLs) and published the outcome of the public consultation in February 2019. Submissions received during the public consultation are in general supportive to the following recommendations of the policy review:

(a) handling the leases held by "community organisations" and "private sports clubs" differently and granting new special purpose leases (instead of PRLs) to sports and recreational sites held by "community organisations";

(b) continuing to handle the sites held by private sports clubs under the PRL policy but the lease conditions must be significantly modified to better meet the dual needs of supporting sports development and optimising land use;

(c) taking into account the contribution of private sports clubs in promoting sports development in Hong Kong when considering renewal of their leases upon expiry;

(d) charging private sports clubs suitable for lease renewal one-third of the full market value (FMV) land premium;

(e) requiring private sports clubs to open up 30 per cent of the total sports capacity of their sports and recreational facilities to eligible outside bodies and partner with sports organisations to organise sports programmes that are open for enrolment by individual members of the public with a minimum sports programme hours of 240 per month;

(f) drawing up a list of allowable sports supporting facilities and ancillary facilities for PRLs;

(g) enhancing the monitoring of PRLs and corporate governance of the lessees; and

(h) defining the principles in approving applications for new sites for

sports and recreational use.

The Government will handle the leases which have expired or will soon expire according to these recommendations. The reply to the four parts of the question is as follows:

(1) In estimating the FMV land premium of PRL sites, the Lands Department will in general base on the value of a site without any building taking into account the land usage and terms and conditions of the land grant or lease renewal (e.g. not allowing non-members' use of food and beverage facilities and the need to open up sports and recreation facilities to eligible outside bodies). The Government will follow up with private sports clubs on details of the principles for estimating land premium.

(2) To allow more time for private sports clubs to plan and prepare for payment of land premium, the Government proposed in the policy review that a transitional instalment option will be made available to those suitable for lease renewal with their leases expiring between 2026 and 2027 (Note). Under this option, a private sports club has to pay 20 per cent of the land premium upfront upon lease renewal, and settle the rest of the land premium by five annual instalments (payable in arrears) subject to payment of interest at a fixed rate of 2 per cent per annum above the average best lending rate of the three note-issuing banks. In view of the concerns over the arrangement of land premium payment expressed during the public consultation, the Government will explore the feasibility of modifying the prevailing instalment option.

(3) The total number of hours of sports and recreational facilities opened up by private sports clubs to eligible outside bodies in 2018 are at Annex. Besides, it is a new policy that private sports clubs are required to partner with sports organisations to organise sports programmes open for public enrolment. To take forward the policy, the Government will include relevant lease conditions upon renewal of leases with private sports clubs in future and require the clubs to report the details of such sports programmes organised in the quarterly reports. We do not possess information on the sports programmes co-organised last year by private sports clubs and sports organisations for public enrolment.

(4) The Government expects private sports clubs to make greater and more comprehensive contribution to sports development in Hong Kong, which include opening up their sports and recreational facilities for use by non-members. For private sports clubs which cannot afford or do not wish to pay concessionary land premium but still wish to continue operation, they may consider switching to a "quasi-public" operation mode (e.g. adopting an open membership policy, providing sports and recreational facilities for use by members of the public at a low fee). If the Government is satisfied that the private sports club concerned is operating in a "quasi-public" nature, consideration may be given to the adoption of the lease arrangements applicable for "community organisations" upon expiry of the current lease of the club and granting it a special purpose lease with nominal land premium subject to the approval of the Chief Executive in Council. If any private sports club wishes to seek renewal upon expiry of the current lease, it has

to prove its contribution towards sports development of Hong Kong. It has to meet the requirement of further opening up of its facilities for public use apart from paying the concessionary land premium.

Note: Including 20 PRLs which were granted renewal for 15 years up to 2026 to 2027 in 2011 to 2012. As for the six PRLs expiring between 2014 and 2024, if they are considered suitable for lease renewal, the Government will renew their PRLs up to June 30, 2027 on nominal premium. The instalment option is not applicable to the remaining one PRL which will expire in 2056.