

LCQ6: Land grant policy

Following is a question by Dr the Hon Wendy Hong and a reply by the Secretary for Development, Ms Bernadette Linn, in the Legislative Council today (March 26):

Question:

Regarding the land grant policy, will the Government inform this Council:

(1) of the current number of sites granted by the Government under short-term tenancies (STTs), the area of the sites involved and their utilisation (including their uses and actual tenancy periods);

(2) as it is learnt that the Government will resume and re-tender sites with expired STTs, or renew such tenancies with the same tenants on a quarterly basis, and that about 40 per cent of the STT tenants have rented the relevant sites for over 20 years after repeated renewals of tenancies, with the longest period being 55 years, and there are views pointing out that the continuous renewal of tenancies with the same tenants has turned STTs into long-term tenancies, whether the Government will rationalise the current STT policy to reduce instances of constantly re-tendering existing sites or continuously renewing their tenancies on a quarterly basis, and provide medium to long-term land tenancies of, for example, 10 to 20 years for industries with demand, large investments and long payback periods, so as to facilitate enterprises' long-term planning and investments, and increase the Government rent revenue and potential tax revenue for the Government; and

(3) given that the Government will grant land by way of private treaty for specified use for a longer term in justified circumstances to meet Hong Kong's economic, social and community needs, and in the light of the current objective of promoting the diversification of industries and re-industrialisation, whether the Government will grant more land by such way, so as to provide operating sites with more certainty for the development of the industries concerned?

Reply:

President,

The Government grants land in different ways to support economic development.

In particular, the Government will normally grant leases with a 50-year tenure for commercial or industrial sites which are suitable for long-term development by way of open tender. Another way is private treaty grant (PTG) whereby, under the premise of facilitating implementation of individual policy and social development, land is directly granted to designated

enterprises or institutions without tender for specified use with policy support. PTGs are mostly for special purpose leases and, subject to policy consideration, the lease tenure may be shorter than 50 years. Whether the land is granted by way of tender or PTG, both methods involve granting land in the form of land lease, which bring greater certainty for leaseholders and is conducive to long-term planning and investment. With the benefit of lease certainty, leaseholders are required to make a one-off upfront payment for land premium before execution of the leases.

On the other hand, the Government also grants short term tenancies (STTs) by way of tender or direct grant. STTs support various social and economic activities and bring regular rental revenue for the Government. According to the land policy implemented for years, the fixed term of STT normally does not exceed seven years, and the tenancy may continue subject to the circumstances upon expiry of the fixed term. While the fixed term of STT is normally shorter than the tenure of a land lease, it provides greater flexibility for the Government in terms of land use and is particularly suitable for Government land not yet needed for long-term development or in respect of which the long-term planned use has yet to be determined. Tenants are also not required to pay an upfront lump sum of land premium, but only need to make regular rent payment and accept periodic market rental adjustment by the Government within the tenancy period, which is also a merit to tenants.

My reply to the various parts of the question raised by Dr the Hon Hong is as follows:

(1) As of end-February 2025, the Lands Department (LandsD) managed over 5 800 STTs (involving a total of around 3 000 hectares of land), covering many different uses. STTs for uses related to people's daily lives take up around 60 per cent, which include public fee-paying carparks, education, social welfare, religion, leisure and recreation, etc.; while STTs for commercial and economic activities take up around 40 per cent, which include shops, workshops, cargo container handling, open or indoor storage, shipyards, etc.

(2) Upon expiry of the STT fixed term, if the site is still not needed for long-term development in the coming few years, the LandsD will normally re-tender the site so as to give other interested operators in the market fair opportunities of bidding the site and maintain healthy competition. That said, many direct grant STTs related to commercial or economic activities may, with policy support or owing to special historical reasons, continue quarterly for a relatively long period upon expiry of the fixed term. According to the statistics of LandsD, among the direct grant STTs, there are some 1 600 cases with cumulative tenancy period exceeding 10 years after multiple renewals. Each of these cases has its specific reasons, with the majority of which (over 1 400 cases) belong to a few major categories, including STTs granted for relocation of businesses affected by public works (such as shipyards in earlier years); STTs gradually converted from Government land licences in the early years (usually for shops or workshops); and some sites for public utilities or franchise operation (such as franchised bus depots).

Currently, the main options under our land grant policy are land leases with tenure as long as 50 years or STTs with a fixed term of at most seven years. We agree that there is room to review whether STTs with a fixed term longer than seven years could be granted to encourage long-term planning and investment by industries and to meet the diversified demand for economic land. In this regard, the Development Bureau (DEVB) will approach different policy bureaux to understand the nature and needs of various industries and economic activities, and study whether there may be a more flexible arrangement in terms of granting STTs. As mentioned above, while tenants of STTs do not need to pay an upfront land premium under tenancies, they will need to face the uncertainty during the longer tenancy period arising from periodic rental adjustment due to the longer tenure. Therefore, different operators may have different views on this issue. On the other hand, if the Government grants land via tenancies with longer period without adopting the mode of land lease that charges an upfront land premium, we will also need to consider the financial implications to the Government. Nevertheless, we are willing to tap the views of Members and the trade during the review.

(3) To tie in with the policy goal of developing innovation and technology and other emerging industries, as well as the "industry-driven" land planning approach emphasised in the Northern Metropolis, the DEVB will, from the perspective of land administration policy, support the relevant bureaux in exploring and adopting different modes of land grant, including considering the granting of sites for industries by way of open tender, restricted tender, or PTG so as to attract leading Mainland and overseas enterprises to come to Hong Kong for bringing in new capital and technology and generating job opportunities as well as creating new growth areas for our economy. We believe that the relevant bureaux will make announcement at suitable juncture on the appropriate arrangement for the industries under their policy purview.