

Hong Kong's Built Environment

Some Thoughts on Social and Economic Perspectives

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What we Know (or Think we Know?)

- **A land constrained community**
- **Top decile in OECD in GDP/capita**
- **Dense pattern of urban development**
- **Open economy**
- **Low tax regime**
- **Rule of law**
- **Fledgling democracy**

Our Social Contract

Land policy as a fiscal and social tool.

Don't deny it – we operate a high land cost policy.

The trade off:

- **Low nominal tax rates**
- **Very narrow tax base**
- **Property related sources of income have been as high as 33% for Government**
- **Keep what you make.....**
- **But look after yourself**

BUT:

- **Destines 50% of population to squalid, low quality, “shoe box” public housing**
- **And the balance to low quality built environment relative to country's wealth.**
More “shoe box” housing
- **Reduces HK's attractiveness as a centre to attract talent and business**

An Inherent Conflict in Land Policy

**Government feigns desire to improve urban living conditions
BUT insists that land is sold at highest possible price.**

CONFLICT of objectives.

**Policy is essentially an ECONOMIC TRANSFER PAYMENT,
from business and the more well off sector of the community to
the less well off.**

Essentially a TAX on business and the wealthy.

Planning System – a Mechanistic Process

- **Planning standards and guidelines all about numbers.**
- **A plot ratio driven process.**
- **Effectively ignores qualitative issues.**
- **Forces design and planning into narrow boxes of mediocrity.**
- **Makes change to urban fabric in response to social and economic needs extremely difficult.**
- **Planning system is extremely inflexible, extremely “rule based”.**
- **Effectively stifles innovation in our built forms and living environment.**

How Sustainable is the Current Model?

1) People are reacting to the current model.

“We deserve, and can afford better”.

Is Government listening?

2) Clamor is to improve **QUALITY**, not quantity. It is about space, design, environmental quality, livability.

3) The “constrained land” argument. Open to challenge.

HK’s land could accommodate **50% - 70%** greater population.

4) Time and circumstance makes old forms obsolete.

Flexibility needed to change use, forms, to make optimum use of land and buildings to reflect new needs.

How Sustainable is the Current Model (cont'd)

- 5) **Housing needs to be affordable. In current environment affordability is good. But model inherently promotes unaffordable housing.**
- 6) **Land as fiscal policy – broaden the tax base. VAT rejected.**
Current system leads to huge volatility in land/property prices, and government revenues.
Would lower land prices actually reduce total land/property based revenues for Government?
Govt. has too big a role in economy anyway.
- 7) **But how much does the community REALLY want to dismantle the current public/private housing model? Does it suit people's objectives in life to accept low cost, low quality subsidized housing in return for freedom to spend/invest money in other ways? Is the community happy to keep subsidizing people's housing in this way?**

The Long and Short of it all.....

- In absolute terms, current model is probably economically sustainable.
- BUT, is it meeting the community's aspirations? In very many respects resoundingly **NO!**
- Is it an optimal model of resource allocation? Probably not given it's inherent inflexibilities and underlying high cost biases.
- Will our elected leaders respond to these challenges? The signs are not screamingly encouraging. But we should persevere!