



Video: <http://fac.arch.hku.hk/creue/land-bond/>



Land Bonds – a Tool for Large Scale Land Readjustment

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Proposal for tapping into privately owned land with Land Bond

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Land Bonds

Land Bonds is legal document which proves that the SAR Government owes the Land Bond holders their property rights over the land they surrendered in exchange for the Land Bonds and that the government promised to let Land Bond holder to exercise these rights on another piece of land. In the context of this proposal, it is more accurately described as "transferrable land development rights real option". However, for the sake of convenience, we use the term Land Bond to describe this legal document.

To achieve territory-wide land readjustment in the New Territories, the SAR Government can offer Land Bonds to private land owners in exchange for suitable privately owned land in the New Territories, including those idle agricultural land



in the hands of the major developers, the *Tso and Tong* land of the indigenous villagers (much of which has become what we called “the brownfields”) and other privately owned land (with or without structure on it). After most of the private land owner surrendered their land for the Land Bonds, the government can carry out land readjustment on the acquired fragmented plots of together with the government's own land. The readjusted land will place different land uses in optimal location with infrastructure connections. The total developable areas (for housing and commercial uses) should be smaller than if they were developed before land readjustment due to higher development density supported by improved infrastructure. The Land Bond holders can use their Land Bond plus cash to bid for sites designated for private development or other sites from land reclamation. The cash amount they submit for bidding the land for private development reflects the land premium that they had to pay for the change of use of the land that they surrendered for the Land Bonds. Since this is an open bid, the land premium is market determined and does not require assessment by the Lands Department and therefore more transparent.

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A land owner who surrender his/her plots of lands in Taipo and Fanling for Land Bonds in 2019 may successfully use the Bonds to bid for a piece of land in Sha Tau Kok in 2030. This is equivalent to exchange of land in Taipo for a piece of land in Sha Tau Kok 11 years later. Therefore Land Bond is a tool that allows exchange of land across the entire NT and over longer time horizon. This flexibility in location and timing enables more possibility of land exchanges that can better land utilization.

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Since the land owners do not know how the land readjustment will be carried out, there is no reason to suspect that certain infrastructure intentionally benefits certain private land owners.

The main difference between Letter A/B and Land Bond is that the latter is issued to land owners before they know what their land will be used for, while the former is issued to land owners after they the use of their land use is determined.

The Land Bonds is transferrable so as the give the Land Bond owner the option to receive case instead of the Land Bonds. This also allow developers without Land Bonds to buy second hand Land Bonds to bid for developable land.

To encourage land owners in the New Territories to accept the SAR Government's offer of land bonds in exchange for their land in hands, the SAR Government can introduce preferential bonus issue of land bonds to those who accept the offer earlier. The amount of bonus issue will progressively decrease over time.



Advantages:

- 2.1 High transparency of the operation and transaction of the Land Bond helps to remove concerns about collusion.
- 2.2 The bold measure to issue land bonds could give the general public the assurance that the SAR Government is determined and fearless in resolving the land supply problem. This could produce an instant effect in stabilizing property prices and conducive to a stable long-term development of the SAR.
- 2.3 The SAR Government can conduct extensive readjustment to improve land uses in the New Territories, develop new towns and resolve problems of the brownfields and NT exempted houses.
- 2.4 As the land bonds can be used to exchange for future land that the Government will create by reclamation, thus issuance of land bonds is in fact a means to meet today's urgent need for land by borrowing land from private land owners and repay them in the future.
- 2.5 Land bonds are freely transferable in the market. Hence they can be considered as an alternative property investment vehicle. This would help prevent panic buying of property units even among those people who believe that property prices would definitely always appreciate.
- 2.6 The nature of land bonds an improved version of the Letter B Land Exchange Entitlements. The Government can draw upon past practical experiences in its implementation.
- 2.7 Theoretically, exchanging land bonds for the *Tso* land is a form of land exchange and not a land sale. Therefore the threshold for consent of the *Tso* and the *Tong* to accept this measure should not be higher than land sale. For the time being, selling of *Tso and Tong* land requires a great majority consent from the beneficiaries of the clan and this brings about the distressing problem of the clan not being able to sell land eventually. To exchange the *Tso and Tong* land with land bonds should be an easier execution (this point is yet to be explore).

Issues to Consider

- 2.8 A comprehensive study has to be conducted with regard to the conversion ratio of land bond area and area of land.



- 2.9 Not all land owners are willing to convert their land to land bonds. Differential pricing can induce more land owner accept the government's offer. More Land Bonds can be issued of landowners who accepted the Land Bond earlier, in different locations and for different existing uses.
- 2.10 More resources are needed to plan and manage the "resumed" land. The resumed land can be leased to the original land owner if needed. Ideas for large scale planning for the NT be drawn from international competitions.
- 2.11 How to create market for secured transaction of Land Bonds? Blockchain platform?
- 2.12 The ownership of the Land Bonds may be too concentrated so as the collusion to depress bid price for land is possible. Competitions from bidder with cash only bids should be allowed after some time.
- 2.13 May be too complicated for the public to comprehend.