

1. EXECUTIVE SUMMARY

1.1 Study Examines Value of Harbour Improvements

This Study examines the value of improved planning and development of Victoria Harbour. The purpose is to demonstrate the value of community preferences that lie outside considerations of the costs and revenues of development.

The methodology was developed using economic techniques considering experience internationally and in Hong Kong.

Valuing community preferences involved surveying the public to determine their preferences for the future planning and development of the Harbour and the value they placed on those preferences. This approach is called Contingent Valuation (CV) and uses surveys to determine value through willingness to pay. Two scenarios were valued: an ideal future harbour, as determined by the respondents and a second “control” scenario.

Understanding the meaning and implications of the value of community preferences involved developing a land valuation model and undertaking a case study to demonstrate the trade-offs between property development and community benefits. The case study covered three alternative development scenarios for the Central reclamation.

1.2 Community Values Harbour Improvements at \$73 billion and \$69 billion under Two Alternative Scenarios

Scenario 1: Where respondents selected their own set of pictures to represent their individual scenario of an “ideal harbour”. The findings were as follows:

- 76% of respondents willing to pay
- Average length of time willing to pay 5.8 years

Contingent values were derived by calculating the present value of the monthly amount respondents were willing to pay, over the

HEADLINES

“Community places Capital Value of \$73 billion on Ideal Harbour”

“Community places Capital Value of \$69 billion on Vibrant Harbour but with no Major New Buildings”

Study Adopts Economic Technique called Contingent Valuation, which uses Willingness to Pay to Derive Value

Technique Recognised by many Governments and Institutions such as World Bank and Asian Development Bank

Limited Number of Other Studies in Hong Kong have also Responded to Calls for the Valuation of Environmental Issues

Community Values of \$73 Billion and \$69 Billion Compare to:

- Intangible Costs of Air Pollution Improvement from Average to Good: \$19 billion per Year
- Cost of Harbour Area Treatment Scheme: \$8.2 billion Stage I and estimated \$19 billion Stage II
- Residual Land Value of Government Proposals for Central Reclamation (excluding Tamar): \$37 billion

High Dollar Value Provides Evidence to Decision-Makers

- Harbour Planning and Development is a Priority
- Government Revenue-Generating Land Uses may not be the Best Solution for the Harbourfront

length of time they were willing to pay and applying a discount factor of 4%. Grossed up to the adult population of 5.8 million gives an overall community value = \$73 billion.

Scenario 2: A “control” scenario where respondents were provided with pictures which represented a vibrant harbour with green areas, open and recreational space, access at the ground level but no new major buildings. This scenario included seven of the most selected pictures under the ideal scenario and none of the three least selected. The findings were as follows:

- 74% of respondents willing to pay
- Average length willing to pay 5.6 years
- Grossed up to the adult population of 5.8 million gives an overall community value = \$69 billion

Of those who said they were not willing to pay anything, some 60% thought that the government or others should pay or that they were already paying through taxes. Thus their true valuation was probably not zero, but simply not revealed.

1.3 Land Values of Alternative Scenarios for the Central Reclamation Range from \$8.5 billion to \$37.3 billion

The three development scenarios included in the case study varied in land use, overall gross floor area (GFA), layout, height, density, type of floor space, degree of open access, etc. No value was assessed for the Tamar site, as it was assumed to be common to all scenarios. The findings were as follows:

Scenario 1: Based on the government’s Outline Zoning Plan (1998): GFA 448,620 sq m, land value \$37.3 billion.

Scenario 2: Based on the proposals made by Society for Protection of the Harbour (2004): GFA 111,118 sq m, land value \$8.5 billion.

Scenario 3: Based on a scenario that reflects alternative planning principles, whilst taking advantage of appropriate

development opportunities: GFA 123,895 sq m, land value \$11.9 billion.

1.4 Case Study Results Assist in Understanding the Trade-Offs in Harbour Planning and Development

The case study undertaken provides important insights into the order of magnitude and relative values of the trade-off between GFA, and public amenities and benefits which lies at the heart of the Hong Kong land use / revenue generation policy debate.

The reduction in GFA under Scenarios 2 and 3, assuming the sites were sold, would reduce land sales revenue by about \$25-\$29 billion. Although the community values of \$73 billion and \$69 billion apply to the whole harbour and not just Central, the order of magnitude suggests that for harbour front land, the trade-off warrants closer inspection.

1.5 Wider Policy Implications Suggest Revisiting Priorities for Planning and Development of the Harbour

The Study findings show that the community places a high dollar value on improvements to the planning and development of the Harbour. It responds to the many calls from stakeholders for evidence of the value of intangible benefits.

The community value provides useful evidence for analysis and decision-making and contributes to the policy debate. It suggests that the historical presumption of revenue-generating land usage may no longer be valid for sites where community values for environmental and amenity improvements score highly, such the harbour front.

The strength of community preferences valued in dollar terms cannot be ignored. The Study provides evidence that will assist decision-makers in prioritising planning and development objectives to make Hong Kong a more competitive and attractive place in which to live, work or visit.