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Panel on Housing

Special meeting on 10 September 2001

Moratorium on sale of Home Ownership Flats

Purpose

This paper gives a brief account of the deliberations by the Council and the Housing Panel on the provision of public housing.

Public housing demand and production targets

2. The 1994 Policy Address pledged to provide 141 000 public rental housing (PRH) flats and at least 175 000 subsidized home ownership (SHO) flats between April 1995 and April 2001.
3. In view of the dire need for PRH as evidenced by the fact that some 150 000 families were on the Waiting List (WL), and that WL was still growing, the Legislative Council passed a motion on 22 February 1995 welcoming the Government's 1994 Policy Commitment target to build an additional 141 000 PRH flats before April 2001 as a start, and urging the Government to inject before July 1997 at least an additional 90 hectares of land into the Housing Authority (HA) for the construction of public housing in order to satisfy the need.
4. The 1995 Policy Address announced new initiatives to implement a fast-track programme to produce nearly 10 000 new PRH and SHO flats by 2000.
5. The 1996 Policy Address announced the provision of financial assistance to over 16 000 families to buy their own homes between April 1995 and April 2001 through the Home Purchase Loan Scheme and the Sandwich Class Housing Loan Scheme (SCHLS).
6. The Panel received a briefing on the Consultative Document on Long Term Housing Strategy (LTHS) Review upon its release on 24 January 1997. However, members were highly dissatisfied that the Administration had failed to brief the Panel

before the press conference. They moved a motion to regret the Secretary for Housing's failure to brief the Panel on the LTHS Review in an open session before the press conference. At a subsequent meeting on 31 January 1997, members agreed that the Consultative Document be further examined by the Subcommittee on Long Term Housing Strategy Review. Meanwhile, members noted that based on the forecast on housing demand, an average of about 80 000 new flats would be required annually during the planning period from April 1995 to March 2006: some 85 000 flats for the first period 1995/96 to 2000/01 and 73 000 flats for the second period 2001/02 to 2005/06.

7. At its meeting on 3 February 1997, the Panel was briefed on the proposal to inject a further \$1.38 billion to enhance SCHLS.

8. In the light of the LTHS Review, the Legislative Council passed a motion on 19 March 1997 urging the Government to meet the housing demand of the public by increasing the supply of PRH flats; adopting a development strategy which aimed primarily at the provisions of PRH flats to be supplemented by HOS flats; further reducing the average waiting time for PRH applicants on WL to two years before the year 2005; maintaining low rents for PRH flats and not effecting hefty rent increase; setting the selling prices of PRH flats on the basis of the construction cost; continuing to construct HOS flats and SCH flats and sell them at affordable prices; and maintaining the status quo of the existing inheritance system for PRH tenancies.

9. In July 1997, the Chief Executive announced a policy objective of an annual provision of 85 000 new flats a year starting 1999/2000. As the objective was higher than the projected demand of 80 000 new flats each year, the Panel held two meetings on 24 July and 19 August 1997 to examine the Administration's housing targets and projections.

10. In relation to the pledge for annual provision of 85 000 flats, the Panel also discussed the land supply for the next five years on 24 July 1997.

11. The 1997 Policy Address announced the production of a minimum of 85 000 new flats beginning in 1999/2000. These included 141 000 PRH flats, 175 000 SHO flats and 195 000 private sector flats during the six-year planning period ending March 2001.

12. Consequent upon the release of the White Paper on LTHS in Hong Kong in February 1998, the Panel received a briefing on the White Paper on 23 February 1998. Members noted that the projected requirements were 80 000 new flats per year up to 2006/07. The Government's announced target was to provide not less than 85 000 new flats annually beginning from 1999/2000, of which 50 000 being public housing flats and 35 000 being private flats.

13. The 1999 Policy Address stated that the Government was on target to produce an average of 50 000 flats each year in the public sector and to facilitate the production of about 35 000 flats a year in the private sector. It had also decided in principle to

embark on a gradual programme of reducing the Home Ownership Scheme (HOS) production and correspondingly increasing loan provision by HA.

14. At the policy briefing on 17 October 2000, the Secretary for Housing stated the Government's commitment was to provide 50 000 housing assistance opportunities a year in the public sector. The number of flats to be produced each year in the private sector would depend on the decisions of developers, based on market conditions and commercial considerations.

Subsidized home ownership schemes

15. The Legislative Council passed a motion on 17 May 1995 urging HA to conduct a comprehensive review of HOS, which should include the number of flats produced and pace of production; the ratio of HOS to PRH flats; the pricing policy and method of mortgage repayment; the construction materials used and maintenance and repair; the system of management and other related issues. HA subsequently endorsed a review of HOS in June 1995.

16. The Legislative Council passed a motion on 7 February 1996 urging the Government to proceed with the sale of PRH units to sitting tenants as soon as possible, and to use the sales proceeds thus derived to expedite the production of new PRH units and the redevelopment of old PRH estates in order to solve the housing problem of the public and to achieve the aim of real full home ownership.

17. At its meeting on 16 April 1996, the Panel was briefed on the initial findings of the Review of HOS. These included measures to promote home ownership among tenants affected by the Comprehensive Redevelopment Programme (CRP); proposed relaxation of resale restrictions for HOS flats; proposed introduction of a secondary market for HOS flats to promote turnover of flats and to encourage PRH tenants to move towards home ownership; pricing and mortgage arrangements; design and quality assurance of HOS flats; timely completion of HOS flats and management of HOS estates. Members were concerned about the lack of public consultation on these measures as some of which represented major changes in the subsidized housing policy. They subsequently passed two motions to express their reservations on the proposal to promote home ownership among tenants affected by CRP and to urge HA to undertake comprehensive consultation with members of the public on the new measures proposed in the review of HOS.

18. At its meetings on 28 October 1997, 11 December 1997, 10 February 1998, 12 and 30 March 1998, the Panel was briefed on the Tenants Purchase Scheme (TPS) which was rolled out to encourage wider home ownership.

19. In view of the Government's intention to introduce TPS, the Legislative Council passed a motion on 26 November 1997 urging the Government to use the construction cost of redeveloping the PRH flats at the time of sale offset by a rate of depreciation as the base for setting selling price of the flats; make Housing Department

(HD) to take up the responsibility for assisting the PRH flat owners in setting up Owners' Corporation if the number of sold PRH flats reached a specific proportion of the total number of available PRH flats, and to continue to be responsible for the management of both the sold and unsold PRH flats if the number of sold PRH flats failed to reach the specific proportion; make HD to set aside a certain proportion of the proceeds from the sale of PRH flats as the principle of a maintenance fund established for carrying out the maintenance and improvement works on the housing blocks; allow owners, after purchasing the PRH flats for three years, to re-sell their flats to other PRH flats owners, PRH tenants and WL applicants or in the market after repayment of the land premium; allow PRH flat owners who have genuine financial difficulties to resell their flats to HA and to revert to the status of PRH tenants.

20. After the launching of TPS, the Legislative Council passed a motion on 7 January 1998 urging the Government to modify and improve HOS by allowing HOS flat owners, on selling their flats in the secondary HOS flats market, to purchase second-hand HOS flats for their own use; increasing the ratio of White-form applicants for allocation of HOS flats; setting aside a certain portion of the proceeds from the sale of HOS flats for the setting up of a maintenance fund for these flats; and requesting HA to bear responsibility for the "problem HOS flats" caused by faulty construction works or insufficiently monitoring.

21. At the policy briefing on 13 October 1998, the Secretary for Housing stated that the Administration had no intention to shelve the production of HOS flats completely but would review the extent of supply and consider if providing home ownership loans was a better option in future. He also announced the introduction of the "Buy or Rent" option for families on WL for PRH, eligible residents of Squatter Areas, Cottage Areas and old-style Temporary Housing Areas.

22. At its meeting on 19 April 1999, the Panel received a briefing on the broad framework for the Buy-or-Rent Option and the launch of Phase One sale.

23. The Panel received a briefing by the Administration on 3 January 2000 regarding the effect of the provision of SHO flats by mixed development; the replacement of a proportion of SHO flat production with the provision of loans; and the sale of PRH sites for redevelopment to the private sector.

24. To improve TPS to meet the needs of PRH tenants, the Legislative Council passed a motion on 13 June 2001 urging the Government to expeditiously announce its plan for the sale of public housing flats after 2003; extend TPS to cover other types of public housing blocks apart from Trident blocks; ensure that, before the sale of housing estates under TPS, all the necessary repair and maintenance works are completed; and consult the residents concerned on the contents of the deeds of mutual covenant for TPS estates not later than three months prior to the receipt of their letters of intent to buy the flats.

Eligibility criteria for public housing

25. In December 1995, the Administration issued a Consultation Document on “Safeguarding Rational Allocation of Public Housing Resources” which recommended the adoption of household income and net asset value as two criteria for determining the eligibility of PRH households to continue to receive public housing subsidy. According to the recommendation, households paying double net rent plus rates under the Housing Subsidy Policy (HSP) had to declare assets two years from the last declaration under HSP if they wished to continue to live in PRH. The Panel was briefed on the Consultation Document on 6 December 1995. Two subsequent meetings were held on 5 and 18 January 1996 to examine the Consultation Document.

26. The Legislative Council passed a motion on 14 February 1996 opposing the proposal made by HA to require PRH tenants to declare their assets.

27. The Panel was briefed on the comprehensive means test on PRH applicants on 16 September 1998. In view of the far-reaching implication of the income-cum-asset test, members were highly dissatisfied that HA had endorsed and implemented such an important policy on 11 September 1998 without consulting the Panel at its meeting on 7 September 1998. They subsequently moved a motion urging the Administration to revoke the new policy on income-cum-asset test and regretting the implementation of such a policy by the Government and HA in a short time without consulting the public and the Legislative Council.

28. The proposal to lower the income and asset limits for HOS and WL first came to the attention of members at the Panel meeting on 5 February 2001. Given the far-reaching implication of the proposal, members passed a motion urging HA to fully consult the public, including the Legislative Council, before deciding to lower the income and asset limits for households applying for PRH and HOS flats. Despite members’ opposition, HA endorsed the proposal on 8 February 2001. At its meeting on 5 March 2001, the Panel passed a motion to reprove HA for hastily endorsing the lowering of the income and asset limits for households applying for PRH and HOS flats before consulting the public and the Panel and demand that HA should suspend the implementation of the new limits, review the current mechanism and conduct full consultation.

Legislative Council Secretariat
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