

**Legislative Council Panel on Housing and Panel on Planning, Lands and Works
Policy Initiatives of Housing, Planning and Lands Bureau
in the Policy Agenda 2006-07**

Introduction

The 2006-07 Policy Agenda just issued lists the HKSAR Government's new and ongoing initiatives under the Chief Executive for the period from July 2006 to June 2007. This paper elaborates in details, where applicable, on the policy initiatives involving the Housing, Planning and Lands Bureau (HPLB) in the 2006-07 Policy Agenda.

2006-07 Policy Agenda – New Initiatives

Caring and Just Society

Introduce a new mechanism for the determination of domestic rents for public housing. (New Initiative)

2. The Housing Authority has conducted a three-month public consultation over the domestic rent policy for public housing. Views from a wide cross-section of community were collected and over 400 written submissions were received. Members of the Ad Hoc Committee and representatives of the Housing Department attended more than 100 consultation forums/meetings.

3. The review on domestic rent policy for public housing covered a wide range of issues. Amongst the most important recommendations is the proposed establishment of a practicable rent adjustment mechanism based on public housing tenants' rental affordability, which will enable the Housing Authority to adjust public housing rent in a timely manner in accordance with the actual circumstances and needs of residents and the community as a whole.

4. The majority of public responses received support the establishment of a new rent adjustment mechanism on the basis of a clear and objective index. In recognition of the close relationship between residents' income and their rental affordability, many are in favour of an income-based index. The Housing Authority's Ad Hoc Committee on Review of Domestic Rent Policy is examining these views. Apart from drawing up a new rent adjustment mechanism, the Ad Hoc Committee will also consider any necessary adjustment to the existing public housing rent to an appropriate and acceptable level to enable the new rent adjustment mechanism to launch at an effective and fair starting point. The Ad Hoc Committee will submit its review report and final recommendations to the Housing Authority later this year.

5. The existing Housing Ordinance mandates the Housing Authority to maintain the median rent-to-income ratio at no more than 10% subsequent to any rent increase. This requirement prevents suitable upward or downward adjustments to public housing rent taking account of the actual circumstances of residents and the community. To introduce a flexible and sustainable rent adjustment mechanism, the Housing Ordinance has to be suitably amended. Our intention is to introduce the amendment bill to the Legislative Council in the first quarter of 2007 to allow expeditious implementation of the new rent adjustment mechanism.

Environmentally Responsible Development

Commence the drafting of the relevant legislation on a mandatory building inspection scheme and a mandatory window inspection scheme to require private building owners to inspect their buildings and windows regularly, and to carry out the necessary rectification works in order to prevent the problem of building neglect, as well as put in place support measures. (New Initiative)

6. To attain a long-term solution to the problem of building neglect, we have launched two stages of public consultation to seek community views on the proposed implementation of a mandatory building inspection scheme and measures to enhance window safety. We are grateful that the community have actively expressed their views on the proposals set out in the consultation document.

7. Results of the consultation reaffirmed the community's support for the introduction of mandatory building inspection as a practicable and effective long-term solution to arrest building deterioration and ensure building safety. Among our various proposed measures to enhance window safety, the community prefer the introduction of a regular and mandatory window inspection scheme. We have refined the implementation details of both schemes in response to the public views and suggestions received. To complement the launch of the mandatory building inspection scheme and the mandatory window inspection scheme, we are glad to have solicited the support of the Hong Kong Housing Society (HKHS) to strengthen its financial and technical support and assistance to owners in need premised on the success of its Building Management and Maintenance Scheme.

8. We will announce the results of the second-stage public consultation and explain in detail the Government's next step forward. Backed by strong community support, we will proceed to prepare the necessary legislation with a view to implementing the schemes as early as possible.

Vibrant Economy

Conduct a joint study with the Shenzhen Municipal Government to establish the need, function and benefits of developing the Eastern Corridor (Liantang/Heung Yuen Wai Control Point), and in parallel proceed with an internal study on the Hong Kong side for the new crossing. We will strive to complete the necessary evaluation and planning study of the Eastern Corridor in early 2008. (New Initiative)

9. To strengthen the connection between Hong Kong and Shenzhen, and to tie in with the economic and infrastructure development of both places, we will study together with the Shenzhen Municipal Government the addition of a new corridor at Liantang/Heung Yuen Wai. The joint study group set up for this purpose has already started work to establish the need, function and benefits of the Eastern Corridor. The joint study is expected to complete in the third quarter of 2007. In parallel, we are carrying out an internal planning study to examine the relevant planning, environmental and engineering issues of the new cross-boundary control point, including its connecting roads and land requirements within Hong Kong's territory. We aim to complete the planning study by early 2008.

Effective Governance

Undertake the necessary legislative and administrative measures with a view to reducing the coverage of the Frontier Closed Area; and examine the potential uses of the land to be released from the Area. (New Initiative)

10. The Government has announced the proposal to substantially reduce the Frontier Closed Area in the northern New Territories adjoining Shenzhen from about 2 800 to about 800 hectares. We have commenced the planning study to draw up the potential uses of the land to be excised. The preliminary proposal is expected to be ready for public consultation by the end of next year.

2006-07 Policy Agenda – Ongoing Initiatives

Environmentally Responsible Development

Finalising the proposals on a minor works control system to streamline statutory procedures for processing such works in order to improve the legislative framework for building control and building safety. We will introduce amendments to the Buildings Ordinance to implement the minor works control system. (Ongoing initiative)

11. In April 2003, we introduced the Buildings (Amendment) Bill 2003 into the Legislative Council (LegCo) which contained the proposal for a minor works control system. The objective of the proposal is to simplify the statutory requirements and procedures for carrying out small-scale building works, such as the erection of supporting frames for air-conditioners, advertising signboards, and the repair of windows and drainage pipes. With the agreement of the Bills Committee, the minor works proposal was dropped from the Bill in July 2004 to allow more time for thorough consultation with the industry. Subsequently, a Working Group comprising representatives from the professional institutions, the Hong Kong Construction Association and the Minor Works Concern Group was formed to further examine the implementation of the proposals. The consultation work is largely completed. We are now finalizing the details of the proposal, and plan to introduce a Buildings (Amendment) Bill into the LegCo in the 2006-07 legislative session.

Continuing to closely work with the Hong Kong Housing Society and the Urban Renewal Authority to assist owners of older buildings to properly manage and maintain their buildings. We are also continuing our efforts to enhance building management and maintenance of private buildings through public education, publicity and participation of professional bodies. (Ongoing initiative)

12. The Government will continue to work with the HKHS and the Urban Renewal Authority (URA) to assist owners in discharging their duties to properly manage and maintain their buildings. Since the launch of its Building Management and Maintenance Scheme in February 2005, the HKHS has provided financial and technical assistance to about 1 400 buildings. The building rehabilitation programme undertaken by the URA has so far assisted over 250 buildings.

13. Meanwhile, the BD and the HAD are continuing their efforts to promote proper building management and maintenance. Through the Coordinated Maintenance of Buildings Scheme and other building safety initiatives, the BD continues to urge building owners to carry out timely building maintenance and repair. The BD has been working with the HKHS in implementing its building safety improvement programme. Whilst the BD mainly focuses on taking enforcement action on statutory repair orders and removal orders, the HKHS provides technical support and incentives to owners to assist them to carry out the building improvement works. The joint effort and the BD's stepped-up enforcement action have brought about improvements in the conditions of more buildings in Hong Kong.

14. Apart from promoting proper building management and maintenance, the Government is committed to regenerating our older urban areas. The URA has rolled out steadily over the past five years an enhanced urban renewal programme comprising redevelopment, rehabilitation, preservation and revitalization, covering about 600 buildings.

15. To further facilitate private sector's participation in urban renewal, we have launched a public consultation this year on a proposal to specify three classes of lots under the Land (Compulsory Sale for Redevelopment) Ordinance for which a lower compulsory land sale application threshold of not more than 80% of the total undivided shares of the lot is to be adopted. We are analyzing the views received to work out the way forward. If the consultation results point to a general community support for the proposal, we plan to submit the

relevant subsidiary legislation to the LegCo in the 2006/07 legislative session.

Developing a performance-based regulatory system to facilitate modern and innovative building design. (Ongoing initiative)

16. Most of the current building regulatory system are in the form of prescriptive standards. To tie in with the international trend and to facilitate modern and innovative building design, we are working on transforming some of the prescriptive standards to performance-based requirements.

17. We are reviewing the existing regulatory system in respect of drainage systems, lighting and ventilation, building construction and fire safety standards of buildings, and a practice note has been promulgated to provide an alternative to the prescriptive standards on lighting and ventilation requirements in the form of performance-based requirements. We will evaluate the effectiveness of the practice note and continue to consult the industry on our proposal. We will study the other aspects of building design standards, and will review the need to promulgate further practice notes and how best to develop the relevant regulatory system.

Developing a land use, transport and environment strategy under the Hong Kong 2030 Study to guide the long-term development of Hong Kong. (Ongoing initiative)

18. The Hong Kong 2030 Study which will provide a planning framework for the long-term development of Hong Kong is nearing completion. Work is underway to fine-tune the “Preferred Development Option” as well as to complete the various technical assessments, including a strategic environmental assessment, on the preferred option. The Study will formulate a “Planning Strategy” to guide future development of Hong Kong in a most sustainable manner, and to ensure that the social, economic, environmental needs of the community are well balanced, for both the present and future generations.

Ensuring that our planning and land use objectives are geared towards our mission to protect the Victoria Harbour and enhance it for the enjoyment of our residents and visitors alike, with the participation of the community. Apart from Central, Wan Chai North and Kai Tak, the Government will not

undertake any further reclamation in the Harbour. Our policy will be reflected in relevant town plans. (Ongoing initiative)

19. We will continue to ensure that the planning and land use of the harbour-front of the Victoria Harbour are geared towards our goal of protecting, preserving and enhancing the Harbour. We have pledged that, apart from the on-going Central Reclamation Phase III, the proposals for Wan Chai Development Phase II and the Kai Tak Development, there will be no more reclamation within the Harbour. Our policy will be reflected in the relevant town plans.

20. We will continue to work closely with the Harbourfront Enhancement Committee (HEC) to enhance the harbour-front, making it a vibrant, attractive and accessible place for the enjoyment of the community and tourists. The HEC has updated the Harbour Planning Principles providing guidelines for all relevant individuals and organizations in the planning, development and management of the Harbour and its waterfront areas. We have continued to engage the public in the Kai Tak Planning Review and the Harbour-front Enhancement Review of the Wan Chai, Causeway Bay and Adjoining Areas to solicit their views on the development proposals for Kai Tak and Wan Chai North respectively. We will shortly commence the Urban Design Study for the Central harbourfront and the Hung Hom District Review. We will invite the public to participate in these studies later this year.

Consulting various stakeholders with a view to formulating preliminary proposals on the review of small house policy for more in-depth discussion and implementing a set of streamlined procedures to speed up the processing of small house applications. (Ongoing initiative)

21. Lands D has put in place a set of streamlined procedures to speed up the processing of small house applications. Under the new procedures, applications will be categorized into straightforward and non-straightforward cases with clear processing procedures stipulated for each category. Lands D's target is to process not less than 2 300 applications each year. All new applications will start to be processed in not more than one year's time.

Caring and Just Society

Implementing the improvement measures for the Pre-Sale Consent Scheme, following completion of a review. (Ongoing initiative)

22. In order to facilitate the smooth operation of the property market, following the completion of a comprehensive review of the Pre-Sale Consent Scheme in 2003, Lands Department (Lands D) has formulated a number of new improvement measures, which include requiring developers to provide more information, obtaining prior consent from Lands D for change of solicitors, and seeking consent of banks which provide mortgages and solicitors' firms for transfer of sales proceeds, etc. Developers are responsible for notifying purchasers of any delay in works. Lands D has implemented all improvement measures which will promote the smooth operation of the Pre-Sale Consent Scheme.

Maintaining supply of public rental housing for needy applicants with an average waiting time of around three years. (Ongoing initiative)

23. The thrust of Government's public housing policy is to provide public rental flats to low-income families who cannot afford to rent private housing. The public housing development programme is planned on the basis of maintaining the average waiting time at around three years. At present, there are 105 000 applicants on the public housing waiting list. The average waiting time is about two years. The Government will continue to ensure that there is adequate and steady supply of land to the Housing Authority for public housing development to meet the needs of the community.

Ensuring effective and rational use of housing resources by promoting sustainable public housing development. (Ongoing initiative)

24. With successful listing of The Link Real Estate Investment Trust in November 2005, the Housing Authority's financial situation has improved and should be sustainable in the short to medium term. The Housing Authority will continue to manage its funds prudently so as to maintain a sufficient working capital to sustain the public housing programme. To ensure that valuable public housing resources are used on families in genuine need, we will continue to

combat abuses. Meanwhile, we are also actively examining measures to shorten the flat vacancy period by, for instance, converting less popular Housing for Senior Citizens flats to ordinary public rental flats and introducing express renovation arrangements to speed up the allocation process.

25. To achieve sustainable public housing development, we are guided by “people-oriented, energy-efficient and optimized land use” principles in project planning and design. We will strictly control cost and adopt environmentally friendly design so as to provide a practical and functional living environment for our tenants. As regards estate management, the Housing Authority, on the basis of proper use of public resources, has embarked on a number of improvement measures to provide support to tenants in special needs, including a \$100-million programme to fund the provision and improvement of facilities and caring service for visually impaired residents, and relaxation of the eligibility criteria for the Rent Assistance Scheme from March 2006 to provide further assistance to low-income public housing tenants. In the next five years, the Housing Authority will spend \$6.3 billion on a Total Maintenance Scheme to carry out territory-wide inspection and maintenance for public housing flats. We will also examine how to strengthen existing measures to encourage public housing tenants and applicants to live with their parents. We hope that our public housing programme can help foster a harmonious community with caring family values.

Vibrant Economy

Ensuring smooth implementation of the Housing Authority’s programme for orderly disposal of surplus Home Ownership Scheme flats beginning from 2007. (Ongoing initiative)

26. The Housing Authority has about 16 600 unsold and returned HOS flats, which will be sold in batches from 2007 onwards to Green Form applicants and White Form applicants. The preliminary sale arrangements and schedules have already been announced. The plan is to launch two phases of sale every year from 2007 onwards, with around 2 000 to 3 000 flats to be put on offer in each phase. We are now making preparations for the first phase of sale to be launched next year. We will closely monitor the latest developments of the property market so that timely measures can be taken to cope with any unforeseen changes in the market.

Refining the Land Titles Ordinance. We will introduce amendments to the Land Titles Ordinance and the supporting regulations to prepare for the effective implementation of the new title registration system. (Ongoing initiative)

27. The Land Titles Ordinance (LTO) was enacted by the LegCo on 7 July 2004. The object of the LTO is to introduce a new land title registration system to replace the present deeds registration system. The new system will give greater security to property interests and simplify conveyancing.

28. We are following up on the outstanding issues identified during the examination of the Bill and tackling the substantial amount of work arising from these issues in preparing the proposed amendments to refine the LTO. We will introduce the Land Titles (Amendment) Bill and related regulations into the LegCo as soon as practicable after the consultation with the stakeholders is complete.

Continuing to co-ordinate the timetable for the disposal of railway property developments to ensure that there would not be adverse impact on the property market. (Ongoing initiative)

29. Between 2005 and 2016, railway property developments will be launched in the market in an orderly manner. To facilitate the healthy development of the property market, we will continue to liaise closely with the two railway corporations under the established mechanism to co-ordinate the timetable for the disposal of railway property developments.

The Residential Property Market

30. Apart from the initiatives detailed above, the Government also keeps a close watch on the operation and developments of the residential property market. Since repositioning its housing policy in 2002, the Government has been steadfastly committed to maintaining the policy of minimizing intervention in the property market. The past four years have seen steady development of the private residential market under a free and transparent operating environment. From 2003 to 2005, the overall private residential price index went up by almost

40%¹ and has started to stabilize upon the turn of 2006. As at the end of September 2006, the overall private residential price index dropped slightly by about 2% compared to the same period last year. The number of negative equity cases at the end of the second quarter of 2006 has decreased substantially to less than 8 800 cases, representing a significant drop from the peak of over 100 000 in mid-2003. Overall flat supply has also stabilized. The number of completed residential units dropped from over 30 000 in 2002 to about 17 000 in 2005. Against some 16 000 primary transactions registered in 2005, the balance of supply and demand in the market has basically been restored.

31. While ensuring the free operation of the residential property market, the Government also places much importance on protecting the interests of property purchasers. We maintain close liaison with the Real Estate Developers Association of Hong Kong (REDA), the Consumer Council and the Estate Agents Authority (EAA) to monitor developers' arrangements for selling uncompleted residential units and to identify scope for further improvement of the current regime. A number of improvement measures have been implemented in the past year. Concerning the enhancement of the guidelines issued by REDA, REDA has responded positively to public concerns and has strengthened its guidelines. For instance, REDA has asked developers to provide copies of the latest Property Management Rules at the sales office for prospective buyers' inspection if new Rules are adopted; to standardize the definition of "sales" so that the public can have a better grasp of what the sales figures refer to; and to release the price lists for a minimum number of flats prior to commencement of private sale and to post at the sales offices the price lists of subsequent batches of units on offer. As regards consumer education, the Consumer Council and EAA jointly published a checklist in June 2006 to remind first-hand residential property buyers of the things that they should pay particular attention to. On regulating estate agents' practice, EAA has stepped up enforcement actions and has been taking measures to raise the calibre of estate agents. The three-pronged approach outlined above provides greater protection to flat purchasers.

32. Last but not least, the Government will continue to release on a regular basis statistics on the supply of private residential units in the primary market to enhance market transparency. This will keep the public up-to-date on the relevant data and provide comprehensive information to facilitate the

¹ Based on information from the Rating and Valuation Department's overall private residential price index.

formulation of residential development plans in the real estate sector to meet market circumstances and the needs of the community.

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