

Legislative Council Panel on Housing

Arrangements for the Sale of Surplus Home Ownership Scheme Flats under Phase 1 of 2007

PURPOSE

This paper sets out the arrangements for the sale of the surplus Home Ownership Scheme (HOS) flats under 2007 Phase 1.

BACKGROUND

2. In January 2006, the Housing Authority (HA) approved the sales programme and arrangements for selling the surplus HOS flats. In April 2006, the HA announced the detailed 'Tentative Sales Programme of Surplus HOS Flats' for selling the flats in batches in an orderly manner from 2007 to 2009. According to the announced sales programme, the HA shall put up a total of 3 056 flats (i.e. 1 200 flats in Kingsford Terrace in Wong Tai Sin, 1 489 flats in Yu Chui Court in Sha Tin and 367 flats in Tin Fu Court in Tin Shui Wai) for sale under Phase 1 of 2007.

SALES ARRANGEMENTS FOR PHASE 1 OF 2007

3. In November 2006, the HA approved the flat pricing and a number of sales related issues for the sale of the surplus HOS flats under Phase 1 of 2007, the details of which are set out in the ensuing paragraphs.

Income and Asset Limits

4. In accordance with the established methodology as set out in **Annex A** and with reference to the statistics in the third quarter of 2006, the HA has determined the income and asset limits for White Form (WF) family applicants for the surplus HOS flats in 2007 at \$22,000 per month and \$610,000 respectively¹. In line with the previous practice, the income and asset limits for one-person applicants are fixed at \$11,000 per month and \$305,000 (i.e. half of the limits for family applicants with two or more members) respectively, with the exception of one-person elderly households where the higher Waiting List asset limit of \$346,000 will apply.

¹ The corresponding Waiting List income and /or asset limits would apply if they are higher than the prevailing HOS limits.

Flat Pricing

5. On pricing, the HA follows the general guideline of offering a discount of 30% of market value and then reviews the overall pricing of flats to ensure that at least 50% of flats to be sold are priced at a level which is affordable (as measured by a mortgage-to-income ratio not more than 40%) to applicants with household income at the HOS Income Limit.

6. The market value of the three subject developments are assessed by reference to recent sale transactions of comparable developments in the vicinity of their respective locations. Adjustments have been made for difference in quality and facilities etc. Due regard has also been given to the fact that the surplus HOS flats have been completed for some time. Based on the HOS Income Limit of \$22,000 per month, the overall affordability for the 3 056 flats offered for sale at a price discount of 30% of the assessed market value of respective projects/courts is worked out at 66% which satisfies the minimum of 50%. The 30% discount is therefore adopted and the average selling prices and the range of flat selling prices of the three developments based on the said discount are as below –

| Projects/Courts | Average Selling Prices at 30% Discount | Range of Flat Size | Range of Flat Selling Prices |
|---|--|--|---------------------------------|
| | \$/m ² SA (\$/ft ² GFA) | m ² SA (ft ² GFA) | (\$/flat) |
| Kingsford Terrace Stage I, Wong Tai Sin | 30,600 (2,420) | 39.2 to 55.0 (495 to 694) | 981,500 to 1,896,700 |
| Yu Chui Court Stage III, Sha Tin | 27 100 (1,840) | 47.4 to 61.6 (674 to 944) | 967,600 to 1,862,100 |
| Tin Fu Court Block J, Tin Shui Wai | 14,300 (1,010) | 47.0 to 60.4 (665 to 854) | 563,900 to 932,400 |

Application Fees

7. To uphold the “user-to-pay” principle in respect of the cost for processing each successful application for purchase of the HOS flats, an initial application fee of \$100 on application and a top-up fee of \$185 at the time of flat selection for successful applicants will be charged.

Flat Selection Arrangements

8. In accordance with the policy approved by the HA in January 2006, eligible one-person households will be placed after family households in the flat selection process, and top priority for flat selection will be given to Green Form (GF) families affected by HA-initiated clearance programmes. To strengthen the support for families as advocated in the 2006 Policy Address, the HA has further approved that GF families with elderly persons and WF nuclear families with elderly persons will be accorded priority in the ordinary GF and WF queues respectively. The relative priorities for other categories of applicants will remain the same as previously approved by HA in January 2006. After all eligible GF families affected by HA-initiated clearance programmes have selected their flats, the priority for flat selection as between GF and WF applicants will be four GF applicants to one WF applicant, subject to the approved allocation quota of 80:20 for GF and WF applicants respectively. If the allocation quota for one queue is under-utilised, the un-utilised quota will be allocated to the other queue.

Tenants Purchase Scheme Owners Purchasing Surplus HOS Flats

9. It has been the established policy that purchasers of Tenants Purchase Scheme (TPS) flats within 10 years from the date of assignment could apply for purchase of surplus HOS flats (by using WF but exempted from income and asset limits and domestic property ownership restriction). The completion of assignment of a surplus HOS flat selected by a TPS owner will be conditional upon the sale of his TPS flat within three months from the signing of the agreement for sale and purchase of the surplus HOS flat, or such extended period as agreed by the HA (a one-off extension of three months), so as to avoid the TPS owner's enjoyment of double housing benefit. If a TPS owner fails to dispose of his TPS flat within the said period, the sale and purchase of the concerned surplus HOS flat will be cancelled and the deposit be refunded to him without interest.

Application and Sales Activities

10. Preparation work for the sale of flats under Phase 1 of 2007 are in good progress. Application and sales details will be announced around mid December 2006. Applications for purchase of the surplus HOS flats will be invited in early January 2007. Selection of flats by successful applicants is scheduled to commence in March 2007. The HA will provide unfurnished show flats in each court for viewing during invitation and flat selection periods. In addition, one show flat with moderate decoration will be provided in each court to allow prospective purchasers to feel for themselves how the space can be utilized. Details about the application and sale activities are set out in **Annex B**.

Pre-sale Defect Rectification and Maintenance Works

11. Defect rectification and maintenance works will be carried out at the surplus flats to bring them to a reasonable standard before sale. As all the flats concerned under Phase 1 of 2007 are unoccupied new flats, a defects liability period of one year from the date of assignment of individual flats will be offered. To provide an after-sale service to flat purchasers, a customer service team will be posted on site during the in-take period to attend to the defects reported by flat owners and arrange necessary rectification promptly.

Housing, Planning and Lands Bureau
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**Established Methodology for setting
Income and Asset Limits for White Form Applicants**

- Income limit is derived from a “household expenditure” approach. It includes the monthly expenditure (mortgage payment to cover 70% of the flat price, Government rent, rates and management fees) for owning a reference flat (i.e. a 10-year-old private flats of 40m² saleable area in the extended urban area and New Territories), non-housing costs and 5% contingency.

- Asset limit is set at a level for a household to finance a 30% downpayment, related transaction costs and decoration expenses for acquiring the reference flat.

**Application and Sales Activities
for Sale of Surplus HOS Flats under Phase 1 of 2007**

| Activity | Period |
|----------------------------|--|
| Announcement of Sale | 12/06 |
| Invitation of Applications | 1/07 |
| Opening of Show Flats | 1/07 and 3/07 – 4/07 (during the invitation and flat selection periods) |
| Balloting of Applications | 2/07 |
| Flat Selection | 3/07 – 4/07 |