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Panel on Development and Panel on Housing

Joint meeting on 10 December 2010

Background brief on land supply for housing

Purpose

This paper gives background information on the measures announced in the Chief Executive's Policy Address on 13 October 2010 relating to land supply for housing and a brief account of the views and concerns expressed by Members on related issues.

Background

Demand for private housing

2. According to the Administration, in September 2010, overall flat prices have risen by 15% over December 2009, equivalent to an increase of 22% over the 2008 peak. In September 2010, overall flat prices were merely 11% below the 1997 peak, while prices for large flats (larger than 100 square metres in saleable area) were even 10% higher than the 1997 prices. In the third quarter of 2010, along with the stock market rally and market expectations that interest rates would remain low for an extended period of time, residential property transactions leaped by 18% over the preceding quarter and the number was the second highest since 1998. The mortgage-to-income ratio, which was 42% in the third quarter of 2010, is on a rising trend.

Demand for public housing

3. As at end of March 2010, there were about 129 000 applicants on the Waiting List for public rental housing (PRH), with an average of about 3 000 new applications received every month. To meet the need of low-income families for subsidized rental housing, the Housing Authority (HA) maintains a rolling five-year Public Housing Construction Programme (PHCP). The forecast production of PRH from 2009-2010 to 2013-2014 is about 74 000 flats, i.e. an average of about 15 000 flats per year. HA estimates that this level of production, together with the some 16 000 recovered flats from the existing stock every year, would allow it to meet the pledge of maintaining the average waiting time (AWT) for PRH at about three years¹.

Land supply for private housing

4. In his Policy Address for 2010-2011, the Chief Executive (CE) announced that, to ensure a stable property market, in the next 10 years, on average, land would need to be made available annually for some 20 000 private residential flats. The figure was based on the average annual take-up rate of first-hand private residential flats of 18 500 units in the past 10 years. CE has stressed that the provision of 20 000 units per year is not a fixed target for residential flat production.

5. According to the paper "Initiatives of the Development Bureau in the 2010-2011 Policy Address and Policy Agenda" (LC Paper No. CB(1)40/10-11(01)), land supply to support the target of providing 20 000 private residential flats per year will include --

- (a) Government land to be disposed of;
- (b) lease modifications and land exchanges initiated by private developers;
- (c) private redevelopment projects not subject to premium payment; and

¹ The AWT pledge does not apply to non-elderly one-person PRH applicants on WL.

- (d) land tenders carried out by the Mass Transit Railway Corporation Limited and the Urban Renewal Authority.

6. To make Government land available to the market for supply of housing, the Secretary for Development has indicated that the Administration will continue to uphold the Application List as the main axle and supplement it by Government-initiated land sales by auction or tender. In addition, the Administration will review existing land uses or explore new land resources. It has completed a review of industrial land in the territory and proposes to rezone about 30 hectares of it for residential use.

7. CE has also stated in his Policy Address that the Administration's aim is to build up a sufficiently large land reserve over a period of time to ensure stable land supply for the residential property market, in particular, to make available sufficient land for building small and medium residential flats to keep their prices stable. To achieve this objective, the Financial Secretary will chair a "Steering Committee on Housing Land Supply" to co-ordinate the efforts of the departments concerned. Members of the committee will include heads of bureaux and departments.

8. In the medium to longer term, the development of the Kai Tak Development Area and other new development areas in the northern New Territories will provide more land to meet housing needs. Planning studies will commence in respect of quarry sites on Anderson Road, Lam Tei and Lamma Island to see if they can provide land for residential use. The Administration will work towards commencing the feasibility study for the proposed further development of Tung Chung, upon finalization of the detailed planning of the related infrastructure projects of the Hong Kong-Zhuhai-Macao Bridge.

9. To increase the supply of mass market flats, the Administration has earmarked the ex-Yuen Long Estate site for constructing such flats through specifying the minimum number of flats and the unit size restrictions in the land sale conditions. The site will be put up for sale by tender later this year. In the light of the experience gained, the Administration will explore applying this arrangement to other sites.

10. In order to generate more land in the long run, the Administration plans to consult the public on the proposal for reclamation on an appropriate scale outside Victoria Harbour.

Land supply for public housing

11. According to the paper "Land Supply for Public Housing" (LC Paper No. CB(1)2072/08-09(01)) provided by the Administration to the Panels on Housing and Development in June 2009, the major sources of land supply for PRH are --

- (a) New Development Areas (NDAs), such as the North East New Territories NDA and Hung Shui Kiu NDA;
- (b) developed areas in urban area and existing new towns; and
- (c) redevelopment of old public housing estates.

12. The flat production volume within the five-year period under PHCP would not be subject to major variation as the projects concerned are either at the construction stage or advanced detailed design stage. However, most of the sites available for PRH development beyond the five-year period are at an early planning stage. HA still encounters the following problems in securing timely provision of land --

- (a) *site availability* -- even for sites considered suitable for PRH development, they may not be immediately available for various reasons, such as rezoning of sites, land resumption and clearance, technical feasibility study, large-scale site formation works etc.;
- (b) *site development constraints* -- uncertainties at the planning stage, such as traffic noise, building height restrictions and urban design considerations, may need to be overcome;
- (c) *different views from the local communities on the suitability of the sites for PRH development* -- considerable time will have to be taken in discussing with the locals in an attempt to formulate mutually acceptable solutions; and

- (d) *provision of community facilities* -- there may be need to reserve part of the sites for community facility use having regard to requests from the local community, requirements of the relevant departments and development needs of the districts concerned.

13. Unless these issues can be promptly addressed, PHCP and the pledge of maintaining AWT at around three years may be affected. To this end, HA will maintain close liaison with relevant bureaux, departments and District Councils (DCs) to identify suitable sites in different parts of the territory for public housing development. Cleared PRH sites will be retained for public housing development as far as possible. Consideration will also be given to using vacated departmental quarters sites for PRH construction.

14. To enhance communication, HA has regularized the consultation process with local community for major PRH developments by organizing workshops led by officers at Assistant Director-level to gather views from the local residents.

"My Home Purchase Plan"

15. In his Policy Address for 2010-11, CE announced that the Administration, in collaboration with the Hong Kong Housing Society (HKHS), would introduce the "My Home Purchase Plan" (the Plan) to provide relief measures to sandwich class home buyers to give them time to save up for the down payment for a flat. Under the Plan, the Administration will provide land for HKHS to build "no-frills" small and medium flats for lease to eligible applicants at prevailing market rent. The tenancy period will be up to five years, within which the rent will not be adjusted. Within a specified time frame, tenants of the Plan may purchase the flat they rent or another flat under the Plan at prevailing market price, or a flat in the private market. They will receive a subsidy equivalent to half of the net rental they have paid during the tenancy period, and use it for part of the down payment.

16. The Administration has earmarked sites in Tsing Yi, Diamond Hill, Sha Tin, Tai Po, Tuen Mun and other areas for a total of some 5 000 flats to be built under the Plan. The first project will provide about 1 000 flats in Tsing Yi by 2014.

Deliberations by the Panels and the Council

17. Recently, the Panel on Housing discussed land supply for public housing at its meetings on 7 January and 17 June 2008, and 17 April 2009. The Panels on Housing and Development held a joint meeting on the same subject on 6 July 2009. After CE has presented the 2010-11 Policy Address, Members expressed grave concern about land supply for housing at the meeting of the Panel on Development on 21 October 2010 and at the Council meeting when debating on the Policy Address from 27 to 29 October 2010. While Members' main concern was that the shortage and tight control of land supply, together with the influx of hot monies and speculative activities, had led to soaring property prices, Members also expressed the following views --

Shortage of housing supply

- (a) there was a significant drop in housing production over the past years, following a tight control over land supply;
- (b) the Administration's new initiatives under the 2010-2011 Policy Address to increase housing supply cannot solve the shortage problem in a timely manner;
- (c) while the Administration might be able to meet the target of providing 20,000 private residential units per year in the longer term, say, in 2013 to 2015, it is not possible to achieve the target in the next two years;

Disposal of Government land

- (d) the Administration should resume its regular land sale so as to increase land supply for housing;
- (e) land included in the Application List but eventually not triggered for sale by the end of a financial year should be offered for an auction as soon as possible;
- (f) land that has not been successfully sold in an auction should be granted to HKHS for building small and medium flats;

- (g) cleared PRH sites should be used for public housing development rather than other uses;

Monitoring of land supply and planning for housing

- (h) a list should be published to show the locations of the land to be provided for private housing in the near future so that the public could monitor the progress of the increase of private housing supply;
- (i) it was unsatisfactory that only small pieces of land could be identified for public housing development after lengthy consultations with the public in the districts concerned;
- (j) HA should secure the land required for PRH development beyond the five-year period;
- (k) the Administration should develop more new towns and the border areas;
- (l) the Administration should consider environmental factors seriously before proceeding with reclamations or turning country parks to residential areas;

Public engagement at district level

- (m) the Administration should engage the public in identifying sites for housing developments and in solving the problems encountered; and
- (n) for the land which had already been earmarked for PRH development, public engagement at district level about PRH development should focus on the planning and design of the development as well as management of facilities within PRH estates.

Latest developments

18. To curb speculation in the residential properties, the Administration introduced new measures on 19 November 2010. These measures include --

- (a) introducing a Special Stamp Duty on residential properties of all values at the point of resale if the properties are acquired on or after 20 November 2010 and resold within 24 months after acquisition; and
- (b) disallowing deferred payment of the current ad valorem property transaction stamp duty for all residential property transactions valued at \$20 million or below.

To effect the new measures relating to stamp duty, the Administration plans to introduce the Stamp Duty (Amendment) (No. 2) Bill 2010 to the Legislative Council in early December 2010, the Hong Kong Monetary Authority also issued a circular on 19 November 2010 to the banks, requiring them to implement measures to strengthen risk management in residential mortgage lending business, including lowering the maximum loan-to-value ratio for residential properties with a value at HK\$8 million or above.

19. A joint meeting of the Panel on Development and the Panel on Housing will be held on 10 December 2010 to discuss issues relating to land supply for housing with the Administration.

Relevant papers

20. A list of relevant papers with their hyperlinks is in the **Appendix**.

Land supply for housing

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	7 January 2008	Administration's paper on land supply for public housing development (LC Paper No. CB(1)506/07-08(03)) http://www.legco.gov.hk/yr07-08/english/panels/hg/papers/hg0107cb1-506-3-e.pdf Minutes http://www.legco.gov.hk/yr07-08/english/panels/hg/minutes/hg080107.pdf
Panel on Housing	17 June 2008	Administration's paper on land supply for public housing (LC Paper No. CB(1)1656/07-08(04)) http://www.legco.gov.hk/yr07-08/english/panels/hg/papers/hg0617cb1-1656-4-e.pdf Minutes http://www.legco.gov.hk/yr07-08/english/panels/hg/minutes/hg080617.pdf
Panel on Housing	17 April 2009	Administration's paper on construction programme of public housing and the implementation of building guidelines (LC Paper No. CB(1)1263/08-09(03)) http://www.legco.gov.hk/yr08-09/english/panels/hg/papers/hg0417cb1-1263-3-e.pdf

Council/ Committee	Date of meeting	Paper
		Minutes http://www.legco.gov.hk/yr08-09/english/panels/hg/minutes/hg20090417.pdf
Panels on Housing and Development (joint meeting)	6 July 2010	Administration's paper on land supply for public housing (LC Paper No. CB(1)2072/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/hg/papers/devhg0706cb1-2072-1-e.pdf Minutes http://www.legco.gov.hk/yr08-09/english/panels/hg/minutes/devhg20090706.pdf
Panel on Development	21 October 2010	Administration's paper on initiatives of the Development Bureau in the 2010-2011 Policy Address and Policy Agenda (LC Paper No. CB(1)40/10-11(01)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1021cb1-40-1-e.pdf Minutes http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101021.pdf
Panel on Housing	22 October 2010	Administration's paper on Housing-related Initiatives in the 2010-2011 Policy Agenda (LC Paper No. CB(1)42/10-11(01)) http://www.legco.gov.hk/yr10-11/english/panels/hg/papers/hg1022cb1-42-1-e.pdf Minutes http://www.legco.gov.hk/yr10-11/english/panels/hg/minutes/hg20101022.pdf
Council Meeting	27 October 2010	Hansard http://www.legco.gov.hk/yr10-11/english/counmtg/hansard/cm1027-translate-e.pdf

Council/ Committee	Date of meeting	Paper
Council Meeting	28 October 2010	Hansard http://www.legco.gov.hk/yr10-11/english/counmtg/hansard/cm1028-translate-e.pdf
Panels on Financial Affairs and Housing (joint meeting)	22 November 2010	Legislative Council Brief – Amendments to the Stamp Duty Ordinance to curb speculation in residential properties http://lcsfcbtlbs1.legco.gov.hk/sharedoc/r&d/Stamp-Duty-Ord(Amendments-Curb-Speculation-Reisdential-Properties)e.pdf