

立法會
Legislative Council

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Panel on Housing

**Minutes of special meeting
held on Friday, 22 October 2010, at 10:45 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon LEE Wing-tat (Chairman)
Hon WONG Kwok-hing, MH (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon Fred LI Wah-ming, SBS, JP
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon CHAN Hak-kan
Hon WONG Kwok-kin, BBS
Hon LEUNG Kwok-hung
- Members attending** : Hon Miriam LAU Kin-ye, GBS, JP
Hon Albert CHAN Wai-yip
- Members absent** : Dr Hon Joseph LEE Kok-long, SBS, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Alan LEONG Kah-kit, SC

**Public officers
attending : For item I**

Ms Eva CHENG, JP
Secretary for Transport and Housing

Mr D W PESCOD, JP
Permanent Secretary for Transport and Housing
(Housing)

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Mr Eugene FUNG
Acting Deputy Secretary for Transport and Housing
(Housing)

Mr Joe WONG, JP
Deputy Director (Corporate Services)
Housing Department

Ms Ada FUNG, JP
Deputy Director (Development & Construction)
Housing Department

Mr Albert LEE, JP
Deputy Director (Estate Management)
Housing Department

Ms Cora HO
Assistant Director (Strategic Planning)
Housing Department

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Mrs Mary TANG
Senior Council Secretary (1)2

Miss Mandy POON
Legislative Assistant (1)4

Action

I. Briefing by the Secretary for Transport and Housing on relevant policy initiatives in the Chief Executive's 2010-2011 Policy Address
(LC Paper No. CB(1) 42/10-11(01) — Administration's paper on Housing-related Initiatives in the 2010-2011 Policy Agenda)

Relevant papers

The 2010-2011 Policy Address – "Policy Agenda"
Address by the Chief Executive at the Legislative Council meeting on 13 October 2010

The Secretary for Transport and Housing (STH) briefly took members through the housing-related policy initiatives of the Transport and Housing Bureau in the 2010-2011 Policy Agenda.

My Home Purchase Plan

2. While acknowledging that the proposed "My Home Purchase Plan" (MHPP) was made out of good intention to assist the sandwich-class first-time home buyers to purchase their homes, Mr CHAN Kam-lam expressed concern that tenants under the rent-to-buy arrangement of MHPP would have to buy their flats at prevailing market prices. As this would give rise to uncertainties, he enquired if there was any room for enhancement of MHPP. Mr Abraham SHEK echoed that the rent-to-buy arrangement did not provide the needed assurance to eligible MHPP applicants if the flats were to be sold at the prevailing market price. Without a fixed price, they could not ascertain their affordability for the flats. Mr Frederick FUNG was also concerned about the lack of assurance for applicants under MHPP, particularly at time when the property market was very volatile. MHPP would have the effect of pushing eligible applicants to the private property market. To improve MHPP, reference should be made to the Home Ownership Scheme (HOS) such that the prices of flats under MHPP should be set below the market value, say 70% of the market price, and that owners would not be allowed to sell the flats under MHPP freely in the open market. They could only sell their flats to those who meet the income limits under MHPP. Mr FUNG said that he was not prepared to support the Plan unless the aforesaid conditions were met. He also failed to understand why the Administration could not re-launch HOS in parallel with MHPP as there was no conflict between the two schemes.

3. In response, STH said that the rent-to-buy arrangement was formulated taking into account views collected during the consultation exercise reflecting that sandwich-class home buyers had difficulty in saving up sufficient down payment to buy a flat. Under the rent-to-buy arrangement, MHPP tenants

would receive a subsidy equivalent to half of the net rental they had paid during the tenancy period, and use it for part of the down payment to buy the flat they rented, another MHPP flat, or a flat in the private market. She clarified that there was no intention on the part of the Administration to force MHPP tenants to purchase the flats. They could decide on the purchase up to two years after termination of the five-year tenancy. The requirement for MHPP tenants to buy flats at prevailing market prices would remove resale restrictions, provide greater flexibility as MHPP tenants could opt to buy a flat in the private market at districts of their choice, and facilitate upward mobility in the property market. In setting the prices of MHPP flats, consideration would be given to the age and "no frills" nature of these flats.

4. Mr Vincent FANG said that MHPP was generally well received, but there were concerns about the long lead time for the first MHPP project to be available by 2014. With the five-year fixed tenancy, MHPP tenants could only buy their flats at prevailing market prices by 2019. He enquired whether consideration could be given to fixing the prices for MHPP flats at the beginning of tenancy for tenants who had indicated willingness to buy the flats. In this way, they could be certain of their affordability for the flats. STH said that while the tenancy period would be up to five years, MHPP tenants would be given the flexibility of buying their flats from the third year of the tenancy onwards and up to two years after the five-year tenancy. On the proposal to fix flat prices at the beginning of the tenancy, STH said that this might not be advantageous to tenants, particularly in the event of a plunge in property prices at the time of purchase. Hence, it was decided that the prices of MHPP flats would be set at prevailing market prices, taking into account the age and "no frills" nature of the flats.

5. Mrs Sophie LEUNG thanked STH and the Under Secretary for Transport and Housing for attending the exhibition for first-time home buyers organized by the Economic Synergy the day before. The exhibition showcased a number of flats with prices ranging from \$1 million to \$2.5 million in various districts, and by the end of the exhibition, over 10 of them were sold. To assist home buyers under MHPP, Mrs LEUNG asked if they could also apply for the 90% housing mortgage offered by the Hong Kong Mortgage Corporation (HKMC). She also enquired whether consideration could be given to using MHPP as a platform for the Hong Kong Housing Society (HS) to engage small and medium developers in the development of MHPP flats. STH said that as the low interest rate environment was not expected to sustain for an indefinite period, home buyers should assess their affordability before deciding on buying their homes. She confirmed that the 90% ceiling on housing mortgage offered by HKMC would also apply to home buyers under MHPP. Efforts would be made to liaise with HKMC for more favourable terms for home buyers under MHPP, as in the case of financing arrangements for

payment of premium in respect of HOS flats. She said that the Administration would welcome the participation of small and medium developers in the development of MHPP flats as well as the adoption of a more environment-friendly concept in the building design.

6. Mr CHAN Kam-lam was concerned about those whose income fell below the income and asset limits of MHPP but exceeded that of public rental housing (PRH). Given that the first MHPP project could only provide 1 000 flats in Tsing Yi by 2014, applicants would have to wait for a long time in view of the limited supply. Hence, MHPP was not able to resolve the imminent problem of rising property prices, and the difficulty of the middle-class in achieving home ownership. More land should be provided in a timely manner to ensure an adequate supply of residential units. In this connection, consideration should be given to earmarking more land within the Kai Tak Development for housing development, and allowing HS to develop the land along the West Rail.

7. In reply, STH clarified that MHPP was not meant to be a means to curb property prices. MHPP flats were "no frills" small and medium flats with at least 80% efficiency. The prices of MHPP flats would not be comparable to luxury flats which were sold at over \$10,000 per square feet. Besides, MHPP flats could be about five years old by the time these were sold. The fixed rental over the five-year tenancy would provide the needed stability to tenants, and allow sufficient time for them to think through their housing plan while building up their capability to buy a flat. While acknowledging members' concern on the need to expedite MHPP projects, a reasonable lead time was required for housing production. As the piling works for the Tsing Yi site had already been completed, construction works would commence as soon as possible. STH added that it had all along been the Government's policy to build up a sufficiently large land reserve over a period of time to ensure stable land supply for the residential property market. It was anticipated that sufficient land would be made available for on average an annual production of some 20 000 private residential flats.

8. Mr WONG Kwok-kin noted that some negative comments on the housing initiatives under the 2010-2011 Policy Address were related to MHPP, which would only provide a limited number of flats for a special class of people with monthly income ranging from \$30,000 to \$39,000. The housing initiatives of the 2010-2011 Policy Address failed to take account of the needs of the sandwich class whose household income had exceeded income and asset limits for PRH, but fallen short of the eligibility criteria for MHPP flats, i.e. those with monthly household income from \$14,000 to \$25,000. He opined that the housing policy should be more comprehensive to benefit different classes of people, rather than a selected few. STH clarified that MHPP was

not confined to applicants with monthly household income from \$30,000 to \$39,000. Apart from the 1 000 flats to be provided in Tsing Yi, other flats would be made available in Tai Po and Tuen Mun which could benefit the group of applicants with monthly household income of from \$20,000 to \$30,000. In addition to MHPP flats, there were some 250 000 HOS flats available for sale in the secondary market and another 65 000 HOS flats in the open market and 80% of recent transactions for these flats were below \$2 million. Mr WONG however pointed out that those with monthly household income from \$14,000 to \$25,000 could not afford to buy HOS flats in the secondary market. There was hence a need to relax the income and asset limits for PRH to benefit the sandwich class. STH said that the sandwich class might be able to afford HOS flats in the secondary market with the financing arrangements offered by HKMC.

9. Mr LEUNG Kwok-hung held the view that MHPP could only benefit a small group of people. He asked if the public had been consulted on MHPP and if not, whether the Administration would conduct an extensive public consultation. While the Administration was responsible to meet the different housing needs of the community, it had done not enough to resolve the housing problem. More assistance should be provided to the needy living in cubicles and bedspace apartments who just wished to have a proper place to live rather than achieving home ownership.

Home Ownership Scheme

10. Mr Albert CHAN said that MHPP could only benefit a limited number of applicants and could not meet the housing needs of the community at large. Besides, MHPP flats could only be made available in a few years' time. He opined that the cessation of HOS had removed the bridge between private property and PRH. As a result, home buyers who could not afford properties in the private sector could no longer have the option of buying HOS flats. Therefore, he strongly condemned the Administration for shelving HOS as an alternative for home buyers whose situation had been further exacerbated by the rising property prices and rents. Referring to a recent survey conducted by the Democratic Party which revealed that 70% of the community supported re-launching of HOS, Mr LEUNG Yiu-chung failed to understand why the Administration had repeatedly declined to re-launch HOS as this would run contrary to public aspirations and the people-oriented approach advocated by the Administration. He stressed that MHPP could not replace HOS as the latter had not only enabled better-off PRH tenants to achieve home ownership but also facilitated the recovery PRH flats for re-allocation to applicants on the Waiting List (WL). STH said that PRH tenants could purchase HOS in the secondary market without the need to pay premium. In fact, a recent survey revealed that over 11% of PRH tenants were interested in buying HOS flats in

the secondary market. 70% of these flats were conveniently located in the urban or extended urban areas. To assist the revitalization of the HOS secondary market, the Hong Kong Housing Authority (HA) had extended the mortgage default guarantee from 25 years to 30 years. It had also worked out concessionary financing arrangements in association with HKMC to facilitate HOS owners in payment of premium.

11. While disappointing at the housing initiatives under the 2010-2011 Policy Address, Mr Abraham SHEK said that not much could be done given the limited supply of land for housing. However, he would support re-launching of HOS to offer a market different from that of the private sector. Expressing similar views, Mr Vincent FANG said that he would support the re-launch of HOS. He would also support the provision of more land for housing to stabilize property prices. To this end, consideration could be given to revitalizing industrial buildings for residential use. This would not only increase the supply of affordable residential units but also avoid the problem of shrunken flats. STH agreed to reflect Mr FANG's views to the Secretary for Development.

Tenants Purchase Scheme

12. Mr WONG Kwok-hing said that he had consulted PRH tenants at Tin Shui Wai, Tung Chung and Kwai Chung on MHPP. Given the similar nature of the rent-to-buy arrangement under MHPP and Tenants Purchase Scheme (TPS), PRH tenants had queried the rationale for shelving TPS. They were dissatisfied that the Administration was taking forward MHPP while denying PRH tenants' right to own their PRH flats. They urged the Administration to re-launch TPS so that better-off tenants paying higher rents were given the option of buying their own PRH flats. STH said that to maintain the average waiting time for PRH at three years, there was a need to produce 15 000 flats annually and to recover a similar number of PRH flats from the existing stock. The sale of flats under TPS would have adverse impact on the turnover of PRH flats and would lengthen the average waiting time for WL applicants. PRH tenants who wished to achieve home ownership could consider applying for HOS flats under the green form status, given that most HOS flats were priced under \$2 million. Mr WONG was not convinced that the Administration should use the long waiting time for PRH as an excuse for not re-launching TPS. He requested that a review be conducted on the subject.

Public rental housing

13. Mr LEUNG Yiu-chung pointed out that the annual production of 12 000 to 13 000 PRH flats in recent years had fallen short of the target of 15 000. To meet the housing needs of low-income families, more PRH flats (say about

20 000 per year) should be provided, particularly one-person flats in view of the long waiting time for single applicants. Mr Fred LI echoed that the annual production of 15 000 PRH flats was insufficient to meet the housing demand. With the cessation of HOS production, sitting tenants had no choice but to remain in their PRH flats, resulting in a lower turnover of PRH flats. He was skeptical that the proposed stepped-up checks on household income and assets of PRH tenants were meant to recover more PRH flats for re-allocation. He stressed that the ultimate solution to meet housing demand of low-income families was to build more PRH flats. STH said that the annual production of 15 000 PRH flats was a target set after the re-positioned housing policy. While the exact number of flats produced each year might vary, an average of 15 000 flats had been produced over the years, and the average waiting time for PRH had been maintained at about three years. She added that the housing production programme would depend on the availability of land, progress of land development, number of applicants on WL, and household size distribution etc. With competing priorities in land supply and development, the housing production programme would require support from the community.

14. Mr Fred LI was not convinced that the average waiting time for PRH could be maintained at three years. With the exception of elderly households who could be allocated a PRH unit within three years, most WL applicants had to wait more than three years. The waiting time was actually much longer if it was counted from the time of application and not from the allocation of a number on WL which was the current practice. STH said that the waiting time for households would vary depending on the choice of districts and size of households. Some would have to wait for a longer time if they had altered their choice of districts. The average waiting time for WL applicants had been maintained at three years with the annual production of 15 000 PRH flats.

15. Given the scarce public housing resources, Mrs Sophie LEUNG agreed that better-off PRH tenants should move out so that more PRH units could be recovered for re-allocation to WL applicants. Expressing similar view, Mr Vincent FANG supported the need to step-up checking of household income and assets of PRH tenants to prevent abuse. He enquired about the number of PRH flats expected to be recovered as a result of the proposal to conduct an additional 5 000 random checks as set out in the 2010-2011 Policy Address. STH said that HA had to be cautious in implementing the policies on rational use of limited public housing resources. Under the Housing Subsidy Policy, tenants who had been living in PRH flats for 10 years were thereafter required to declare their income every two years. Those with household income exceeding the prescribed income limits were required to pay 1.5 times or double net rent plus rates. For double rent paying households, they were further required to declare their assets biennially under the Policy on Safeguarding Rational Allocation of Public Housing Resources to determine their eligibility

to continue to stay in PRH. The Permanent Secretary for Transport and Housing (Housing) said that efforts would be made to step-up checking on household income and assets of PRH tenants. In addition to checking some 5 000 randomly selected cases a year, an additional 5 000 random checks would be conducted this year. The objective was to raise awareness on abuse of PRH. In the last few months, there were a number of prosecution cases resulting in fines.

WL income and asset limits

16. Mr WONG Kwok-hing expressed concern about the stringent WL income and asset limits of \$7,440 for a one-person household, \$11,660 for a two-person household and \$13,130 for a three-person household. He considered it necessary for a comprehensive review of the WL income and asset limits. Mr Albert CHAN echoed that the WL income and asset limits should be suitably relaxed so that those who could not afford housing in the private sector could be eligible for PRH. Mr Abraham SHEK also supported to conduct a review of the eligibility criteria for PRH as many residents affected by urban renewal projects were not able to meet the stringent criteria. Efforts should be made to shorten the waiting time through production of more PRH flats. Expressing similar views, Mr Frederick FUNG opined that there should be a long-term housing strategy to meet the different housing needs of the community. He stressed that housing should be regarded as a necessity and not a commodity.

17. In response, STH said that PRH was meant for low-income families who could not afford private rental accommodation. The annual review of WL income and asset limits would take into account the changes in housing costs, including the rising trend of the property market. Care had to be exercised in setting the WL income and asset limits as this would directly affect the average waiting time for PRH. The Assistant Director of Housing (Strategic Planning) (ADH(SP)) explained that the current methodology for assessing WL income and asset limits was developed in 2002 following a comprehensive review. The WL income limits were derived using a "household expenditure" approach that comprised housing and non-housing costs, and included a 5% contingency provision. The WL income and asset limits were reviewed annually at the beginning of each year using the latest available statistics as of the last quarter as compared to the corresponding quarter of the previous year. The next review would be conducted in March 2011. Mr Albert CHAN however pointed out that the income limit of \$16,000 for a four-person household was too low. A family of four with a monthly income of \$16,000 would have much difficulty in making ends met if they were to rent a private accommodation, which would at least cost them around \$6,000 to \$7,000 per month. ADH(SP) explained that the updated data from the survey on private

rents conducted by the Census and Statistics Department (C&SD) would be used in assessing the housing costs. She agreed to provide the housing cost in determining the current WL income limit of \$16,070 for four-person households for members' reference.

Regulating the sale of first-hand flats

18. Mr LEE Wing-tat recalled that back in 2000, the Administration had published a white paper for public consultation on the proposals to regulate the sale of uncompleted flats but the white paper had subsequently been withdrawn. In the 2010-2011 Policy Address, it was announced that a steering committee would be set up to discuss specific issues on regulating the sale of first-hand flats through legislation. He hoped the Administration would not withdraw its proposals again this time under the pressure of developers. As legislative procedure would take time, he was concerned that the Legislative Council might not be able to complete scrutiny of the relevant legislation within the current legislative term which would end in the third quarter of 2012. To this end, consideration should be given to expediting the public consultation process so that the legislation could be introduced into the Legislature by October 2011, allowing sufficient time for scrutiny and passage of the legislation before the expiry of the current legislative term. STH said that the Administration was committed to regulate the sale of first-hand flats. Instead of a public consultation document, consideration would be given to issuing a White Bill to set out details of the regulatory regime, which would not only cover uncompleted flats but also completed first-hand flats. The legislation was expected to provide comprehensive guidelines and regulation on the sale of first-hand flats. The steering committee would work out the specific issues of regulation.

II. Any other business

19. There being no other business, the meeting ended at 11:45 am.