

立法會
Legislative Council

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Panel on Housing

Minutes of special meeting
held on Tuesday, 18 October 2011, at 5:30 pm
in Conference Room 1 of the Legislative Council Complex

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 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 Vincent FANG Kang, SBS, JP
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon WONG Sing-chi
Hon IP Kwok-him, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon Tanya CHAN

Members attending : Hon LEE Cheuk-yan
Hon Miriam LAU Kin-ye, GBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Cyd HO Sau-lan
Hon Paul CHAN Mo-po, MH, JP
Dr Hon PAN Pey-chyou

Members absent : Hon Fred LI Wah-ming, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon CHAN Hak-kan
Hon WONG Kwok-kin, BBS
Hon LEUNG Kwok-hung

**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

Ms Annette LEE, JP
Deputy Secretary for Transport and Housing
(Housing)

Miss Stella WONG
Acting Deputy Director (Corporate Services)
Housing Department

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

Mr CHAN Siu-tack
Acting Deputy Director (Estate Management)
Housing Department

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

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

Miss Jacqueline CHUNG
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

I. Briefing by the Secretary for Transport and Housing on relevant policy initiatives in the Chief Executive's 2011-2012 Policy Address
(LC Paper No. CB(1) 40/11-12(01) — Administration's paper on Housing-related Initiatives in the 2011-2012 Policy Agenda)

Relevant papers

The 2011-2012 Policy Address – "Policy Agenda"

Address by the Chief Executive at the Legislative Council meeting on 12 October 2011

The Secretary for Transport and Housing (STH) briefly took members through the housing-related initiatives of the Transport and Housing Bureau in the 2011-2012 Policy Agenda.

(Post-meeting note: A copy of STH's speaking note was circulated to members under LC Paper No. CB(1) 119/11-12 on 19 October 2011.)

New policy on resumption of Home Ownership Scheme (HOS)

Supply of new HOS flats

2. Given that there had all along been a consensus on the resumption of HOS, Ms Audrey EU said that the new HOS was introduced too late. She also expressed concern about the limited scale of an annual production of some 2 500 to 6 500 new HOS flats over a four-year period from 2016-2017 onwards, which was far less than that of some 16 060 HOS flats produced annually before the repositioning of housing policy in 2002. She urged that more new HOS flats should be produced. Mr Abraham SHEK was also concerned that new HOS flats would only be available from 2016 onwards. He considered that efforts should be made to expedite the delivery of new HOS flats. STH said that there were different views on the resumption of HOS. With the sites identified at this stage, the plan was to provide more than 17 000 HOS flats over the four-year period from 2016-2017. As more sites became available, the planning target would be set at 5 000 flats a year on average. The actual number of flats to be built or put up for sale each year would depend on demand at the time. To meet the target, the Housing Department had already started preliminary planning and investigations for the identified sites. She stressed that sites earmarked for public rental housing (PRH) development would not be used for HOS production lest this would lengthen the average waiting time (AWT) for PRH.

Resale restrictions

3. Mr Abraham SHEK welcomed the new policy on resumption of HOS to meet public aspiration for home ownership. He hoped that the next term of Government would continue with HOS production such that those who could not afford to buy properties in the private sector would have a chance to achieve home ownership. However, he stressed that the new HOS should not be exploited as a means for property speculation through revitalization of secondary HOS market. If secondary HOS flats were to be sold, these should be sold to those who were awaiting their turn to buy HOS flats and not in the open market. Mr PAN Pey-chyou shared the concern about the revitalization of secondary HOS market as he was aware that owners who sold their HOS flats for a profit would not be able to move back to PRH flats even if they later suffered from financial hardship. STH did not agree that the new HOS would encourage property speculation. The arrangement for owners to sell their HOS flats in the open market after paying a premium to the Housing Authority (HA) would enable them to trade up and shift to the private residential market to achieve upward mobility.

Premium payment arrangements

4. Ms Audrey EU cautioned that it would be very divisive if different and more favorable premium payment arrangements were adopted under the new HOS. She failed to see why the Administration should introduce such a divisive policy. Referring to the Chief Executive's public forum on the 2011-2012 Policy Address televised the day before, Mr Alan LEONG said that he was under the impression that the premium payment arrangements under the new HOS would apply to the existing 300 000 HOS flat owners as well. If so, whether existing HOS flat owners could dispose of their flats in the open market without paying a high premium. He also enquired about the expected number of HOS flats to be released for sale as a result, and the possible impact on the property market if a large number of HOS flats were put up for sale at the same time. Expressing similar concerns, Mr PAN Pey-chyou stressed that the same premium payment arrangements should apply to both existing and new HOS flat owners as otherwise there would be much grievance.

5. In response, STH said that the prices of new HOS flats would be set with reference to the mortgage repayment ability of eligible households, which would be about 40% of their household income. When calculating the premium to be paid, the subsidized portion of a unit's purchase price could be viewed as a loan to the owner, the amount of which would not be pegged to the market value of the unit. In working out the implementation details of the new HOS, including the price benchmarks based on affordability and premium payment arrangements, HA would ensure that the new arrangements would be fair to existing HOS flat owners. Since the arrangements would involve

subsidizing home ownership with public money, they should be acceptable to the community as a whole. As regards the premium payment arrangements for existing HOS flat owners when they put up their flats for sale in the open market, STH said that deviations from the existing arrangements would entail complex and substantial changes as they involved the deed of assignment and existing legislation.

6. Mr LEUNG Yiu-chung was concerned that the use of a fixed loan concept for calculation of premium under the new HOS would encourage property speculation. To ensure that public subsidies would not be used for speculative purposes, he proposed that new HOS flats could only be sold to green form applicants. Mr LEE Cheuk-yan echoed that the incentives under the new HOS were overly provided and would be tantamount to the use of public money to subsidize property speculation. These arrangements were also unfair to existing HOS flat owners. He held the view that any appreciation of new HOS flats should be shared with the Government as otherwise public money would be seen to be used to subsidize property speculation and not home ownership, which was the original purpose of the new HOS. STH did not agree that the new HOS would encourage property speculation because flats sold under the new HOS would be subject to resale restrictions. The initial plan was that owners could only sell their flats to green form applicants or HA within the first five years from the date of purchase. After five years, owners could sell their flats in the open market after paying a premium to HA, as in the case of existing HOS flat owners. The implementation details for premium payment arrangements would be worked out by HA. She further pointed out that property prices in the market would not always appreciate and would fluctuate.

7. Noting that buyers under the existing HOS were only required to pay 5% of the purchase price as down payment with the rest mortgaged under HA's guarantee, Mr IP Kwok-him enquired if similar mortgage arrangements would apply to buyers under the new HOS flats to facilitate their purchase. STH said that the provision of guarantee by HA for buyers of the new HOS flats would be one of the implementation details to be discussed by HA. Currently, green form applicants would enjoy a 95% mortgage while white form applicants a 90% mortgage under HA's guarantee.

8. Mr Paul CHAN expressed reservations on the proposed premium payment arrangements under the new HOS. He requested the Administration to provide supplementary information on the number of HOS flats of which premium had been paid, average premium payable for each HOS flat, revenue derived from the premium payment, and the revenue forgone if the proposed premium payment arrangements under the new HOS were adopted. While supporting the introduction of the new HOS, Mr WONG Kwok-hing was also concerned about the difference in premium payable by existing and new HOS

flat owners upon resale of flats under the new HOS. He urged the Administration to consider issuing a consultative document to seek public views on the matter.

Enhancing the My Home Purchase Scheme (MHPP)

9. While acknowledging the need for subsidized housing, Mr Paul CHAN failed to see the merits of MHPP, which in his view was complicated (involving the setting of selling prices, rents, tenancies, subsidies for down payment etc.) and less cost-effective given the limited provision of about 5 000 flats for households with income between \$30,000 and \$40,000. He considered that the provision of PRH for eligible households with income less than \$15,000, and HOS for those with income ranging between \$15,000 and \$30,000 were adequate. Instead of introducing MHPP, consideration should be given to relaxing the income limits for HOS.

10. In response, STH said that the provision of different types of subsidized housing to meet different needs was well received by the community. The concept of MHPP was jointly developed with the Hong Kong Housing Society (HKHS) to allow greater flexibility for sandwich-class people who did not have sufficient savings for down payment to rent a MHPP flat first and to buy the flat later. Under the "rent-and-buy" mode, participants could save for the down payment as the rent would not be adjusted throughout the maximum five-year tenancy period. To protect participants from soaring property prices which might disrupt their plan for home ownership, a "buy-or-rent" option would be included under MHPP to allow participants to buy their MHPP flats direct at market price (which would form the ceiling price) without going through a rental period. MHPP tenants could also purchase the flat they rented or another flat under MHPP with the selling price capped at the "ceiling price", or a flat in the private market. They would receive a Purchase Subsidy equivalent to half of the net rental they had paid during the tenancy period, and could use it for part of the down payment. Mr CHAN Kam-lam was pleased that the Administration had taken on board the suggestion put forward by Members belonging to the Democratic Alliance for Betterment and Progress of Hong Kong to include a "buy-or-rent" option, in addition to the "rent-and-buy" option, to enhance MHPP.

11. Given that MHPP was meant for families with a household monthly income not exceeding \$40,000, Mr IP Kwok-him enquired if there was a minimum income limit. He also enquired whether families with household income of around \$30,000 could apply for both the new HOS and MHPP. STH said that the Administration did not intend to set a minimum income limit for MHPP because some applicants with a lower income might have accumulated enough savings or have received assistance from their families to purchase MHPP flats. She added that applicants who met with the eligibility

criteria for the new HOS and MHPP were allowed to apply for both. However, they would not be allocated flats under the new HOS and MHPP at the same time as a mechanism would be in place to prevent double benefits. Mr IP further enquired if single persons were eligible to apply for MHPP and if so, whether there would be separate quota for them. STH said that HKHS would consider setting aside a small quota of MHPP flats for allocation to single persons. Whether a similar arrangement would apply to the new HOS would be one of the implementation details to be carefully considered by HA having regard to the needs of other groups like families and the elderly.

Tenants Purchase Scheme (TPS)

12. Mr WONG Kwok-hing reiterated his disappointment that the Administration had repeatedly declined to resume TPS, thereby denying PRH tenants the chance to purchase their own units. STH said that as recovered PRH units played a vital role in maintaining the AWT for General Waiting List (WL) applicants at around three years, there were at present no plans to resume TPS.

Supply of PRH

13. Mr WONG Kwok-hing said that instead of an annual production of 15 000 PRH flats, Members belonging to the Hong Kong Federation of Trade Unions considered it necessary to increase PRH production to 33 000 flats per year to meet demand. STH said that as set out in the Policy Address, the annual production of 15 000 PRH flats, together with flats recovered each year, should be able to meet the target of maintaining AWT at about three years. At present, the AWT for General WL applicants had been kept at 2.2 years. Notwithstanding, the planning target of 15 000 flats per year was not a fixed one. HA would adjust flat production when the demand and supply so warranted.

14. Mr CHAN Kam-lam pointed out that with the soaring rents in the private sector, many WL applicants had to live in very poor private rental accommodation, such as sub-divided flats and cubicles, pending PRH allocation. There was hence a need for an adequate supply of PRH units to meet the demand. Noting that HA would be reviewing the redevelopment potential of existing aged PRH estates, he enquired about the number of estates to be included in the review. He also enquired if consideration would be given to increasing the densities and plot ratios of PRH projects so as to optimize the use of resources to build more PRH units.

15. In response, STH said that when reviewing the redevelopment potential of existing aged PRH estates, HA had to take into account the aspirations of existing tenants. By way of illustration, elderly tenants in Wah Fu Estate did not prefer to move so a lot of resources had been spent in refurbishing the estate.

Meanwhile, So Uk Estate would be redeveloped upon relocation of tenants to the newer Un Chau Estate. She confirmed that without compromising the living environment, efforts had already been made to increase the densities and plot ratios of PRH projects, as in the case of Fo Tan site where the plot ratio had been increased from 2.5 to 5 in consultation with the Planning Department, and the building height from 20 to 37 domestic storeys. The Permanent Secretary for Transport and Housing (Housing) (PSTH(H)) said that there were ongoing re-development of some existing estates, including Ngau Tau Kok Estate. He added that under the Comprehensive Structural Investigation Programme, PRH blocks aged 40 or above were subject to detailed investigation on their structural safety with a view to ascertaining whether these should be demolished/redeveloped or retained/repared. HA would be consulted on the retention/redevelopment plans of these aged PRH blocks.

16. Mr LEUNG Yiu-chung pointed out that the AWT of about three years for General WL applicants in fact referred to the time taken for the first housing offer. If this was not accepted, the time for PRH allocation would be much longer since the second offer would usually take one and a half years. The situation was further acute for one-person WL applicants given that only 2 000 PRH units were allocated to this category each year when over half of the 150 000 WL applicants were non-elderly one-person applicants. The annual production of 15 000 PRH flats was far from sufficient to meet their demand. More efforts should be made to enable early allocation of PRH to WL applicants, many of whom were living in very dilapidated conditions. Expressing similar concerns, Mr LEE Cheuk-yan supported that more PRH units should be built to shorten the AWT for PRH, particularly for non-elderly one-person applicants who were subject to the Quota and Points System (QPS) to determine their priority for allocation. STH clarified that the number of General WL applicants was about 89 000 and that of non-elderly one-person applicants was 66 600. At present, HA was able to maintain the AWT for General WL applicants at 2.2 years, and the lead time between the first and second housing offer was about eight months. Given the scarcity of housing resources, QPS was implemented to ensure rational use of resources after detailed deliberation by HA. Nevertheless, compassionate rehousing would be offered for cases involving hardship of various natures.

17. The Chairman held the view that the Administration had failed to present the actual supply and demand for PRH. He pointed out that the AWT of 2.2 years was only applicable to households with two members or more and not non-elderly one-person applicants, which would be much longer if the latter were taken into account. The problem was particularly serious for low-income non-elderly one-person applicants who had to live in cubicles and subdivided flats for a very long time pending PRH allocation. He supported that a review similar to the then Long Term Housing Strategy would be conducted to ensure sufficient land supply for both public and private housing. STH said that the

Administration had pledged to make available sufficient land for 20 000 private residential flats each year on average in the next decade. It had also agreed to maintain an average production of 15 000 PRH units and 5 000 HOS units per year. The Steering Committee on Housing Land Supply chaired by the Financial Secretary would continue its efforts to ensure a stable and adequate supply of land to meet housing demand. The allocation of PRH units under QPS had been worked out carefully to ensure rational allocation of the limited housing resources and the situation would be closely monitored.

18. Noting that the two potential candidates for the Chief Executive had made separate pledges to build more PRH units and to shorten the AWT for PRH, Mr Alan LEONG questioned how these pledges could be fulfilled when the Administration had been asserting that there was insufficient supply of land for PRH. STH reiterated that the annual production of 15 000 PRH flats was not a fixed target, and that this would be adjusted in line with supply and demand to ensure that AWT could be maintained at about three years.

19. Mr Abraham SHEK questioned the need to maintain the seven-year residence rule for PRH. He was concerned that some new migrants from the Mainland who could not meet the seven-year residence rule had to live in dilapidated conditions because they were not eligible for PRH. He considered it necessary to review the seven-year residence rule for PRH as new migrants were indeed Hong Kong residents. STH said that under the existing public housing and welfare policies, only permanent residents of Hong Kong could be entitled to various benefits. Any departure from the existing policies would require careful consideration. She also clarified that in respect of eligibility for PRH, if at least one of the parents was a permanent resident, the children would deem to have fulfilled the residence requirement regardless of their place of birth.

Steering Committee on the Regulation of the Sale of First-hand Residential Properties by Legislation (the Steering Committee)

20. Miss Tanya CHAN noted that the Steering Committee had completed its work and submitted its report to STH in October 2011. The Transport and Housing Bureau would be consulting the public on the recommendations in the form of a White Bill in November 2011 with a view to enacting the legislation in 2012. She enquired if stakeholders, particularly the Real Estate Developers Association of Hong Kong (REDA), had been adequately consulted on the recommendations of the Steering Committee lest the White Bill could not be processed as planned as in the case of the withdrawal of the White Bill on the Sales Descriptions of Uncompleted Residential Properties Bill in 2001. Given the far-reaching implications of the regulation of the sale of first-hand residential properties by legislation, she would definitely join the Subcommittee to examine the White Bill if this was formed. STH confirmed that the

membership of the Steering Committee comprised major stakeholders, including REDA. The recommendations of the Steering Committee represented a balanced and practical way in taking forward a regulatory regime by legislation. The arrangement to introduce a White Bill in November 2011, to be followed by a two-month consultation, aimed at expediting the legislative process. It was hoped that the Blue Bill could be introduced to the Legislative Council in the first quarter of 2012. She called for members' cooperation and support to enable the legislation to be enacted before summer recess in 2012.

II. Any other business

21. There being no other business, the meeting ended at 6:32 pm.

Council Business Division 1
Legislative Council Secretariat
25 November 2011