

立法會
Legislative Council

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Panel on Housing

Minutes of special meeting
held on Wednesday, 14 March 2012, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon LEE Wing-tat (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 LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Dr Hon Joseph LEE Kok-long, SBS, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon CHAN Hak-kan
Hon WONG Sing-chi
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Tanya CHAN
- Member attending** : Hon LEE Cheuk-yan
- Members absent** : Hon WONG Kwok-hing, MH (Deputy Chairman)
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon WONG Kwok-kin, BBS
Hon IP Kwok-him, GBS, JP

**Public officers :
attending**

For item I

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

Ms Noel TSANG
Principal Assistant Secretary for Transport and
Housing (Housing) (Private Housing)

Mr K L WONG
Chief Executive Officer & Executive Director
Hong Kong Housing Society

Mr Daniel LAU
Director (Development & Marketing)
Hong Kong Housing Society

For item II

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

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

Mr Anson LAI
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)1

Miss Mandy POON
Legislative Assistant (1)1

I. Hong Kong Housing Society's Joyous Living Scheme

(LC Paper No. CB(1) 1259/11-12(01) — Hong Kong Housing Society's paper on Joyous Living Scheme

LC Paper No. CB(1) 1259/11-12(02) — Paper on Hong Kong Housing Society's Joyous Living Projects prepared by the Legislative Council Secretariat (background brief))

The Chief Executive Officer & Executive Director/Hong Kong Housing Society (CEO/HKHS) gave a power-point presentation on the Hong Kong Housing Society (HKHS)'s Joyous Living Scheme.

(Post-meeting note: A set of the power-point presentation materials was circulated to members vide LC Paper No. CB(1) 1302/11-12(01) on 15 March 2012.)

Role of HKHS

2. Mr Abraham SHEK recalled that HKHS was first established in the 1940s with a clear objective to provide subsidized housing for the low-income group, particularly the elderly. However, the provision of quality retirement housing for the more affordable elderly by HKHS seemed to have strayed from its original mission. He stressed that HKHS should not aim at making profits through other innovative housing schemes. Professor Patrick LAU shared the view that HKHS should explain its role and objectives as well as its target clientele. It would appear that, instead of providing subsidized housing for the low-income elderly in the past, HKHS had lately been building luxury homes for the more affordable elderly. Mr Frederick FUNG echoed that HKHS should focus on the provision of subsidized housing for the low-income group rather than engaging in other work, including the provision of quality retirement housing. Besides, it might not be appropriate for the Administration to support HKHS if it had shifted its focus of attention to meet the housing needs of more affordable group. There might also be a need for public consultation on the proposed change of role of HKHS. Their views were shared by Mr WONG Sing-chi.

3. In response, CEO/HKHS clarified that HKHS was a non-profit making organization. He added that HKHS had not strayed from its original objective and role, and that HKHS was committed to providing subsidized rental housing for the low-income groups through various means, including redevelopment of existing rental estates. Apart from subsidized housing, HKHS had

implemented different innovative quality housing schemes to meet the evolving needs of the community. These included the Urban Improvement Scheme, Flat-for-Sale Scheme and Sandwich Class Housing Schemes. In view of the fast-growing ageing trend and based on the results of the market survey, HKHS introduced a new type of housing exclusive for middle-class elders under the Senior Citizen Residences (SEN) Scheme to provide an integration of accommodation, medical and health care services under one roof. The full occupancy rate and long waiting list for the two SEN projects showed that there was a strong demand for elderly housing of similar nature. To meet the emerging need of elderly of varying income/asset profile, HKHS introduced the Joyous Living concept under which two new pilot quality retirement housing projects would be implemented on a small scale to allow a choice for the more affordable elderly as in the case of Japan and Australia. These included the elderly housing project at Tanner Hill (TH), North Point and the Integrated Elderly Community Project (IECP) at Tin Shui Wai (TSW) Area 115. These two pilot projects were not intended for making profits but to establish a model for other housing providers, particularly those in the private sector, so that more diversified types of flats could be provided to meet the anticipated increasing demands of the elderly.

4. Mr LEUNG Yiu-chung shared the concern that HKHS had deviated from its original role of providing subsidized housing for the low-income group. Over the past few years, HKHS had implemented various projects to improve the aesthetics of the surroundings, including the Peng Chau Ferry Pier and Kwai Fong City Centre. Huge resources had been allocated to these projects which were not related to the provision of the much needed housing for the low-income group. The development of the Joyous Living Scheme projects was another example. He also questioned the accuracy of the market survey on the demand for elderly retirement homes. CEO/HKHS stressed that HKHS had been making practical efforts in meeting the housing needs of the community. The introduction of the Joyous Living concept for the more affordable elderly was aimed at meeting the emerging need of elderly, and should not be taken as a deviation from the original role of HKHS. As regards the market survey on elderly housing, CEO/HKHS advised that a consultancy firm had been engaged to conduct a random survey, and the findings of which had revealed that there was a demand for quality retirement housing. The Director (Development & Marketing)/HKHS supplemented that the improvements projects at Peng Chau Ferry Station and the Kwai Fong City Centre cost about \$20 million and were meant to revitalize the districts for the betterment of the community. At members' request, HKHS would provide details of the works and costs of the two district improvement projects.

HKHS

5. Mr LEUNG Kwok-hung pointed out that HKHS was a publicly funded organization tasked with the responsibility of providing affordable housing for

the low-income group. The provision of quality retirement homes for the more affordable elderly, such as IECF with hotel/guest house, had indeed deviated from the original role of HKHS. He asked if HKHS staff could benefit from any revenue generated from these innovative housing schemes. He opined that the much needed land resources should be used for providing homes for the under-privileged and low-income households living in dilapidated conditions. Mr LEUNG Yiu-chung concurred that instead of implementing innovative housing projects, HKHS should focus its efforts in meeting the more urgent housing needs of the community, particularly those one-person applicants given their long waiting time for public rental housing (PRH) units. Expressing similar views, Professor Patrick LAU enquired if HKHS would consider building youth hostels to meet the demand of younger applicants on the Waiting List (WL). The Chairman also supported the provision of land to HKHS to build one-person units for lease to younger WL applicants on a fixed-term tenancy. CEO/HKHS clarified that that HKHS was a non-profit making organization, and that its staff members were not entitled to any benefit as a result of profit generated. He added HKHS would be pleased to provide rental units for younger WL applicants subject to availability of land.

6. The Chairman commended HKHS for its efforts in providing the much needed housing for the community in the 1970s and 1980s. Unlike the Hong Kong Housing Authority which was bound by rigid housing policies, HKHS was more flexible in responding to the changing housing needs of the community. As such, there were public aspirations for HKHS to make the best use of the limited land resources to meet the housing demand. Priority should be given to building more subsidized rental flats to meet the more pressing housing needs, while quality retirement homes should only be provided as an alternative since the more affordable elderly should be able to purchase properties in the private market without any assistance from HKHS. He hoped that HKHS would take account of the views of members and the public in implementing its housing projects.

7. The Deputy Secretary for Transport and Housing (Housing) said that there had been close cooperation between the Administration and HKHS in the development of subsidized housing, including the My Home Purchase Plan. She stressed that the Administration was firmly committed to providing PRH to low income families and persons who could not afford private rental accommodation. The Joyous Living Scheme projects would not compete for the land resources earmarked to meet other higher priority policy objectives such as developing PRH. On the other hand, the objective of the Administration's elderly policy was to facilitate "ageing in the community", so that elders living at home in different locations would receive various types of support conveniently. The TH Project was a proposal by HKHS in the light of its own market research to meet the needs of the elderly. The Administration

had accepted HKHS's proposal on the development of the TH Project at full market land premium, as it would offer another housing choice for elders who wished to age in the community. HKHS had also been working closely with the Development Bureau on IECF.

Housing for the more affordable elderly

8. Mr WONG Sing-chi stressed the need for cross-generation support in the provision of elderly housing. In formulating the Joyous Living concept, consideration should be given to allowing the younger generation to live with their elderly family members so that the elders would not be separated from their children. CEO/HKHS said that the intention of Joyous Living concept was to establish a model for other housing providers, particularly those in the private sector, so that more diversified types of flats could be provided to meet the needs of the elderly in future. While HKHS would look into the feasibility of allowing younger generation to live with the elderly family members, it was worth noting that some elders might want their children living close to them but not with them.

9. Mr Abraham SHEK questioned the need to build a hotel near IECF when the land could be used to develop rental flats for those who were living in cubicles and subdivided flats. CEO/HKHS said that the provision of a 200-room hotel at TSW Area 115 would not only meet the planning need for hotel accommodation in the area, but also provide convenience to visitors of elders living in IECF. Besides, if IECF was well received, consideration could be given to converting the hotel into residential blocks for the elderly.

10. Noting that IECF would provide some 950 units with sizes ranging from 500 to 1300 square feet, Mr Abraham SHEK questioned the need for large flats of 1300 square feet. He opined that more small to medium-sized flats should be built to meet the demand. Expressing similar concerns, Mr James TO was disappointed that HKHS was such a bureaucratic organization which refused to take into account views of members and the public. CEO/HKHS clarified that the sizes of most of the IECF flats were between 500 and 800 square feet with the exception of some three to four units which were 1300 square feet. Mr TO however pointed out that elders who could afford to live in such big flats should be able to take care of their own housing needs without any assistance from HKHS. CEO/HKHS took note of members' concerns, adding that HKHS would endeavour to provide greater flexibility in the sizes of flats to meet the demand.

Other housing initiatives

11. Mr Frederick FUNG considered that instead of providing quality

retirement housing for the more affordable elderly, HKHS should place more emphasis on the redevelopment of old districts. CEO/HKHS said that HKHS had been cooperating with the Urban Renewal Authority (URA) in taking forward urban renewal projects. At present, URA had allocated seven redevelopment projects to HKHS which was working on six of them. These included five in Sham Shui Po and one in Shau Kei Wan. The piling and construction works had commenced for the projects in Sham Shui Po and the units were expected to be put up for sale in 2014 or 2015. It was worth noting that redevelopment of old districts was a time-consuming process which might take about 10 years to recover all the units within the redeveloped districts. Meanwhile, HKHS had spent about \$4 billion for the rehabilitation of aged buildings as part of the redevelopment plan. Continued efforts would be made to redevelop old districts.

12. Professor Patrick LAU opined that it might not be worthwhile to redevelop existing rental estates unless these were beyond repair. CEO/HKHS agreed that redevelopment of rental estates was a timely and costly process. As such, a priority programme had to be worked out, particularly when rehousing of tenants would be involved. At present, about eight rental estates had been given priority for redevelopment, including the Ming Wah Dai Ha.

13. Noting that tenants of Jat Min Chuen had been forced to move out if they failed to remove their split-type air-conditioners (A/C) from their balconies, Mr WONG Sing-chi held the view that HKHS should use its own resources to provide standardized split-type A/C stands for all units to ensure safety. CEO/HKHS said that Jat Min Chuen was a 40-year old estate and its design was not catered for the installation of split-type A/C. Some tenants had installed their split-type A/C on the flower beds of the balcony, thus posing a threat to building and public safety. While HKHS had requested the removal of such split-type A/C, it had also agreed to provide free installation of stands at the outer walls for accommodation of the split-type A/C. Professor Patrick LAU declared that he was involved in the design of Jat Min Chuen, and would be willing to assist in any way he could in facilitating tenants in the installation of split-type air-conditioners on the outer walls.

II. Initial ideas on price setting and for calculating the premium payable under the new Home Ownership Scheme

(LC Paper No. CB(1) 1259/11-12(03) — Administration's paper on initial ideas on price setting and for calculating the premium payable under the new Home Ownership Scheme

LC Paper No. CB(1) 1259/11-12(04) — Paper on re-launching of the Home Ownership Scheme and Tenants Purchase Scheme prepared by the Legislative Council Secretariat (updated background brief))

14. The Permanent Secretary for Transport and Housing (Housing) (PSTH(H)) briefed members on the initial ideas on the setting of prices and calculation of premium payable for flats to be sold under the New Home Ownership Scheme (New HOS). The Assistant Director of Housing (Strategic Planning) (ADH(SP)) gave a power-point presentation on the subject.

(Post-meeting note: A set of the power-point presentation materials was circulated to members vide LC Paper No. CB(1) 1302/11-12(02) on 15 March 2012.)

Setting of price

15. Mr WONG Sing-chi declared that he was a member of the Hong Kong Housing Authority (HA). Given that the prices of New HOS flats would be set with reference to the mortgage repayment ability of eligible households, Mr WONG noted that a New HOS flat with a saleable area of 400 to 500 square feet would roughly be in the range of \$1.5 million to \$2 million to make it affordable to a family with a monthly income of \$20,000 to \$30,000. He was concerned that eligible households would most likely opt for New HOS flats in urban areas rather than those in the New Territories if they were of the same price range. PSTH(H) said that there would be great demand for New HOS flats in both urban areas and the New Territories given the large number of potential buyers. The Deputy Secretary for Transport and Housing (Housing) (DSTH(H)) added that while the details for setting of prices for New HOS flats had yet to be worked out, the Housing Department (HD) would determine the affordability of eligible households and set the prices in accordance with the formula to be established and having regard to the latest economic data prior to the sale of New HOS flats.

Premium payment

16. Mr LEUNG Yiu-chung noted that apart from assisting low-income families to achieve home ownership, the New HOS also aimed to facilitate upward mobility of flat owners (i.e. to enable them to trade up and shift to the private residential market), which in his view might encourage speculation of New HOS flats. Given the scarce public housing resources, he considered that

that New HOS flats should only be sold to green-form applicants and not on the open market. PSTH(H) said that traditional HOS flats were sold to both green and non-green form applicants. Subject to the payment of a premium, owners could re-sell their HOS flats on the open market. Of the 360 000 existing HOS flats, about 60 000 were re-sold mostly on the private market while some to green-form applicants and other eligible parties. The premium payable was calculated based on the discount rate of the prevailing market value where owners would only know when they sold their HOS flats. As one of the key features of the New HOS was to facilitate upward mobility of flat owners, there was a need to unpeg the premium payable on a New HOS flat from its market value. In this connection, a new formula would have to be devised for calculating the premium payable. The concept was to take the subsidized portion of the purchase price of a unit as a loan to the flat owner, the amount of which would not be adjusted even if the market value of the unit increased in future. The owner would be required to repay the loan to HA before selling the unit on the open market.

17. Mr WONG Sing-chi was not optimistic that the New HOS could facilitate upward mobility of flat owners who might have much difficulty in repaying the loan with the expected rise in interest rates in 2014. Consideration should be given to adhering to the existing HOS premium arrangements. PSTH(H) said that the slow turnover of existing HOS flats might be attributed to the uncertainty associated with payment of premium. However, the premium arrangements under the New HOS would provide more certainty to flat owners who could plan ahead for the flat sale and payment of premium to suit their own circumstances. DSTH(H) added that as the premium payable under the New HOS would be based on the subsidized portion of the purchase price of a unit and unpegged from the market value, this would be more predictable from the owners' perspective.

18. Mr Alan LEONG noted that unlike the existing premium arrangements which was based on the discounted rate of the market value, HA would take up the role of a lending institution under the premium arrangements for New HOS which was based on a fixed loan. Given that the fixed loan was interest bearing, the longer owners kept their New HOS flat, the higher the premium payable upon resale which might deter owners from selling their flats. He enquired which of the two premium arrangements would have greater impact on the upward mobility of flat owners. ADH(SP) said that the use of a fixed loan concept for calculating premium for New HOS flats would provide more certainty. It would be easier for New HOS flat owners to plan ahead for the timing of payment of premium to suit their own circumstances. It might not be feasible to assess the impact of the different premium arrangements on owners as the sale of flats remained a personal decision.

19. Mr Vincent FANG supported the New HOS which would provide more certainty in premium payment and facilitate upward mobility of flat owners. Of the possible options on premium payment, Members belonging to the Liberal Party considered option 2 (viz. the premium payable was the "loan" plus interest which was compounded yearly, where the floating interest rate was the "no gain, no loss (NGNL)" rate of each particularly year) more reasonable.

20. Mr Alan LEONG sought elaboration on the NGNL approach. He also enquired about the time frame for the Subsidised Housing Committee (SHC) of HA to decide on the methodology in calculating premium for the New HOS. ADH(SP) explained that the principle of NGNL was that the loans were provided on the basis that the loan provider was not seeking to make a profit out of the loans, nor to incur a loss. The NGNL interest rate was set by reference to the market, at a certain percentage below the average of the best lending rates of note-issuing banks.

Resale restrictions

21. Given the land constraints, Mr LEUNG Yiu-chung noted that the Administration had much difficulty in identifying suitable sites for the development of New HOS. He therefore failed to see why the Administration should allow New HOS flats to be re-sold on the open market. This would not only encourage speculation but also defeat the objective of New HOS to assist low-income households to achieve home ownership. Mr Frederick FUNG also did not support the re-sale of New HOS flats on the open market as the scarce land resources should not be allowed for speculation by HOS flat owners. It was worth noting that under the premium arrangements under the New HOS, owners might tend to re-sell their flats within a short time for profiteering in a rising property market, as otherwise the amount of loan plus interest would increase over time, particularly when the prevailing low-interest environment might not continue for a very long time. Consideration should be given to requiring the re-sale of HOS flats to eligible households (with a monthly income limit of say \$30,000) rather than on the open market.

22. Sharing similar concerns, Mr LEE Cheuk-yan said that he supported the new formula for pricing of New HOS which would be set with reference to the mortgage repayment ability of eligible household. However, he did not support the premium arrangements for New HOS to unpeg the premium payable on a New HOS flat from its market value while the selling price was based on market value. This would enable owners to profiteer through resale of their New HOS flat owners during a rising property trend, thereby encouraging property speculation. He said that Members belonging to the Labour Party did not agree that New HOS flats should be treated as commercial commodities to be resold on an open market. Instead, these should be sold to

green-form and white-form applicants who met the prescribed eligibility criteria. In this way, the New HOS would assist eligible households to achieve home ownership and allow for upward mobility if they could afford to shift to the private residential market.

23. In response, PSTH(H) said that efforts had been made to identify more land for development of New HOS. It was expected that about 5 000 New HOS flats per year on average would be made available for sale in the long term, and 17 000 units over the first four years. He said that under the existing HOS policy, owners could sell their flats on the open market and the same would apply to the New HOS. The same alienation restrictions would apply to both existing HOS and New HOS flat owners who 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 on the open market after paying a premium to HA. The main difference between the existing and the New HOS was the premium arrangements. A number of options on premium payment for the New HOS based on two basic approaches, i.e. "loan only" and "loan plus interest", had been drawn up. The Administration would welcome any views from members which would be relayed to SHC of HA. DSTH(H) added that HD had conducted a comparison between the existing methodology and the five possible options under the New HOS in calculating premium. It was found that of the 120 random samples, some selected flat owners would have to pay more under, say, option 2, than the existing methodology, mainly because the market value of these flats was high at the time of purchase. Nevertheless, the premium arrangements under the New HOS based on the loan amount and interest would facilitate flat owners to plan ahead the timing of payment of premium.

24. Mr Abraham SHEK shared the views that the scarce land resources should be optimized for the benefit of eligible households. As both existing and New HOS flats were subsidized housing, there was a need to impose alienation restrictions for the sale of these flats which should be only sold to green-form and white-form applicants as well as those on the Waiting List for public rental housing. It was worth noting that HOS owners were mostly end-users and not speculators as evidenced by the low turnover of HOS flats. Given that the Administration was under public pressure to develop the New HOS, consideration should be given to launching a public consultation on the New HOS, particularly on the need to impose alienation restrictions on the sale of HOS flats. PSTH(H) said that the announcement of the new policy on the resumption of HOS was in response to the aspirations of low and middle-income families to buy their own homes. The Administration was gathering views from different channels to enable SHC of HA to make an informed decision on the price setting and calculation of premium payable under the New HOS. He stressed that the rights of owners to sell their flats

should be respected, and that it would not be appropriate to confine the sale of HOS flats to a defined and closed market.

III. Any other business

25. There being no other business, the meeting ended at 4:45 pm.

Council Business Division 1
Legislative Council Secretariat
5 July 2012