

Legislative Council Panel on Housing

Housing-related Initiatives in the 2011-12 Policy Agenda

Introduction

On 12 October 2011, the Chief Executive delivered his 2011-12 Policy Address. This paper provides details of the coming year's new and ongoing housing-related initiatives as stated in the Policy Address and the Policy Agenda concerned.

New Initiatives

2. The Chief Executive set out in detail the repositioned housing policy in the Policy Address, reiterating the long term commitment of the Government to provide public rental housing (PRH) to low income families and persons who cannot afford private rental accommodation, and completing around 15 000 PRH units on average per year to meet the target of maintaining an average waiting time of three years for General Waiting List applicants. He emphasized that this is an important government policy to ensure social stability and harmony. Under no circumstances will this policy be changed. To honour the pledge, the flat production will be adjusted when the demand and supply of PRH flats so warrants.

3. In response to the aspirations of low and middle-income families to buy their own homes, the Government now puts forward two buffering measures, including a new policy for the resumption of the Home Ownership Scheme (HOS) and to enhance the My Home Purchase Plan" ("MHPP"). Applicants may make a choice based on their own needs and affordability. To ease the burden on the grassroots, the Government will pay two months' rent for public housing tenants. We will also review the redevelopment potential of existing aged PRH estates so as to optimize the use of resources.

New Policy for Resumption of HOS

4. We are fully aware of the public's concern about rising property prices and the difficulty buying their first properties, especially for families whose household income exceeds the limits for PRH application but who may not be able to afford to own a flat. As these families are unable to bear the large down payments and mortgage repayments, their purchasing power is limited in the current property market. Moreover, the supply of private flats that they can afford has been diminishing.

Targets of Assistance

5. In response to the aspirations of low and middle-income families to buy their own homes, the Government has put forward a new policy for the resumption of the HOS. The New Home Ownership Scheme ("New HOS") will be targeted at families with a monthly household income under \$30,000, mainly first-time home buyers.

Objectives and Implementation Organization

6. The Government will allocate sites for this scheme to provide units about 400 to 500 square feet in Saleable Area. With the sites identified at this stage, the plan is to provide more than 17 000 flats over four years from 2016-17 onwards, with an annual production of between 2 500 and 6 500 flats. For the first year, 2 500 flats can be made available. As more sites become available, the planning target will be set at 5 000 flats a year on average. For flexibility, the actual number of flats to be built or put up for sale each year will depend on demand at the time.

7. The Housing Authority (HA) will be responsible for producing the new HOS flats. The first batch is expected to be ready for pre-sale in 2014 or 2015. To meet this target, the Housing Department has already started preliminary planning and investigations for sites identified in Shatin, Tsuen Wan and Yuen Long, and will commence similar work for other sites shortly.

Pricing Policy

8. The prices of new HOS flats will be set with reference to the mortgage repayment ability of eligible households. For example, the price of a new HOS flat with a saleable floor area of 400 to 500 square feet will roughly be set 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.

Resale Restrictions

9. Flats sold under the new HOS will be subject to resale restrictions as in previous subsidized housing schemes. The initial plan is that within the first five years from the date of purchase, owners may only sell their flats to green form applicants or the HA. After five years, owners may sell their flats on the open market after paying a premium to the HA. This will enable owners to trade up and shift to the private residential market.

10. When calculating the premium to be paid, our initial plan is that a unit's purchase price will be viewed as a loan to the owner, the amount of which will not be adjusted even if the market value of the unit increases in future, and require the owner to repay this loan to the HA before selling the unit on the open market. When working out the details, the HA will ensure that the new arrangements are fair to existing HOS flat owners. As the arrangements will involve subsidizing home ownership with public money, they should also be acceptable to the community as a whole.

Implementation Details

11. The HA will work out implementation details of the new HOS, including the allocation ratio between green form and non-green form applicants, income and asset criteria for non-green form applicants, benchmarks for setting affordable flat prices and premium payment arrangements.

Adjustable Buffering Mechanism

12. An "adjustment" mechanism has been incorporated into the new HOS. The new HOS will serve as a buffer when the private residential property market is in disequilibrium due to unbalanced demand and supply, as well as internal and external macroeconomic factors such as low interest rates and quantitative easing measures taken by other economies.

13. When the private residential property market cannot provide sufficient reasonably priced small and medium sized flats, the Government will, through the HA make available a maximum of 5 000 new HOS flats on average each year for eligible buyers. When there are enough reasonably priced small and

medium sized flats in the private market, the number of subsidized flats to be built and sold for the year will be adjusted. We may even stop building and selling such flats.

Enhancing the MHPP

14. Apart from the new policy on resumption of HOS, the Government, in collaboration with the Hong Kong Housing Society (HKHS), will continue to implement the MHPP to provide families earning up to \$40,000 a month with “no frills” small and medium sized rental flats so these families will have time to save up.

Provision of a “Buy-or-Rent” Option

15. As the public generally considers that, given the volatility of the property market, if MHPP flats are to be sold at the prevailing market price, then tenants intending to buy such flats under the “rent-and-buy” arrangement may find their plans upset by soaring prices, the Government will enhance the MHPP. Apart from the proposed “rent-and-buy” mode, a “buy-or-rent” option which allows participants to buy their MHPP flats direct at market price without going through a rental period will also be offered.

“Ceiling Price”

16. Under the MHPP, the initial market selling price will serve as the ceiling price of that flat. When the prevailing market price is higher than the “ceiling price”, a participant choosing the “rent-and-buy” option will be guaranteed to purchase the flat at the “ceiling price” which will be fixed at the outset if he purchases a flat within two years after the termination of tenancy. This will protect participants from soaring property prices which may disrupt their plan for home ownership, and enable them to set more specific saving targets. When the prevailing market price is lower than the “ceiling price”, they can buy MHPP flats at the prevailing market price. The Transport and Housing Bureau (THB) will discuss the implementation details with the HKHS.

Elements that remain unchanged

17. The tenancy period of MHPP flats will be up to five years. To allow tenants to save according to their plans, the rent will not be adjusted during the

tenancy period. The MHPP will also provide tenants with a subsidy, equivalent to half of the net rental paid during the tenancy period, to help them cover part of the down payment.

18. The Government has already earmarked a number of sites for about 5 000 MHPP flats. The first development project at Tsing Yi will provide around 1 000 “no frills” small and medium sized flats. These are expected to be completed in 2014 and pre-letting will begin next year.

Paying Two Months’ Rent for Public Housing Tenants

19. We are not optimistic about global economic prospects next year, and there is a real risk that we may see inflation and recession come one after the other. In response to this, the Government will implement short-term measures to ease the burden on the grassroots. One of the measures is that the Government will pay two months’ rent for around 700 000 public housing tenants, at a cost of about \$1.9 billion.

Appropriately increase the densities and plot ratios of PRH projects without compromising the living environment, and review the redevelopment potential of existing aged PRH estates so as to optimize the use of resources

20. When developing new PRH projects, the HA will follow the principle of maximizing land use and build PRH in the most effective and sustainable manner, with a view to maximizing the development potential of the sites. We will open up new sites and explore ways to appropriately increase the densities and plot ratios of PRH projects without compromising the living environment.

21. To ensure an adequate and steady production of PRH, apart from liaising closely with government departments concerned to identify suitable new housing sites in different parts of the territory, the HA is examining the redevelopment potential of existing aged PRH estates with a view to optimizing plot ratio for better utilization of our valuable land resources and additional PRH production.

22. Under the existing strategy for sustaining development of PRH, the HA will retain aged PRH stocks which have passed the detailed investigation under the Comprehensive Structural Investigation Programme and are certified

to be structurally safe for at least 15 years with appropriate repairs. The HA will only consider demolishing PRH blocks which are structurally unsafe or beyond economic repair. In order to better utilize our land resources and increase PRH production, we consider it necessary to optimize the development potential of aged PRH estates. The HA will include the redevelopment potential as an additional factor for consideration of demolition and redevelopment in future.

Ongoing Initiatives

23. Apart from the above new measures, the Government will continue with the following works.

Developing the Infrastructure for Economic Growth

Quality City and Quality Life

Promoting sustainable public housing developments by designing for green and healthy living, and ensuring effective and rational use of housing resources

24. To promote a green and healthy living environment for the PRH tenants, the HA will continue to adopt the environment-friendly measures and introduce new designs for PRH developments, such as the use of central compactor refuse collection systems, common W-trap systems in waste water drainage, twin-tank design in fresh and flush water supply systems, enhanced electrical supply systems for lift services, and green procurement and construction practices. We have fully implemented micro-climate studies for all new PRH developments and air ventilation assessments for large scale PRH developments so as to determine the best scheme designs and to optimize land utilization. This has allowed PRH tenants to enjoy natural ventilation and daylight as well as to minimize energy consumption.

Increasing the greening ratio of all new public rental housing estates to at least 20%. For large public housing projects over 2 hectares, we will increase the greening ratio to 30%. We will also provide green roofs in low-rise buildings and provide vertical greening in some pilot projects wherever feasible

25. Other than the above green initiatives, the HA since 2010 has adopted

a greening ratio of at least 20% for all PRH developments under planning and design, and works to increase the greening ratio to 30% for PRH developments over two hectares as far as possible. The Housing Department has worked with the Planning Department to set out the guiding principles on green coverage, and has adopted the following measures to increase the greening ratio of new PRH estates as far as possible:

- Provide more planting areas at grade and slope areas;
- Provide green roof or green decking to covered walkways, low-rise structures, carparks and/or vehicular access;
- Provide grass-paving system to open carparks, emergency vehicular access and other less trafficked areas; and
- Provide vertical greening in some pilot projects wherever feasible.

Following up the recommendations of the Steering Committee on the Regulation of the Sale of First-hand Residential Properties by Legislation, including launching a public consultation exercise in the form of a White Bill and introducing a Bill into the Legislative Council

26. To further strengthen the regulation of the sale of first-hand residential properties, the Chief Executive mentioned in the 2010 Policy Address that the THB would set up a steering committee to discuss specific issues on regulating the sale of first-hand flats by legislation and put forward practicable recommendations within one year. The Steering Committee on Regulation of Sale of First-hand Residential Properties by Legislation (Steering Committee) was set up in October 2010. It completed its work and submitted its report to the Secretary for Transport and Housing in October 2011.

27. The Steering Committee recommended that legislation be introduced to regulate the sale of all types of first-hand residential properties, including projects developed under old lease conditions, Consent Scheme projects, and projects outside the Consent Scheme. It came up with detailed recommendations on the requirements on sales brochures, price lists, show flats, transaction information, advertisement, sales arrangements, prohibition on misrepresentation and dissemination of false and misleading information, penalties, enforcement agency, and exemption arrangements. THB is considering the Steering Committee's recommendations. THB will consult the

public on the recommendations in the form of a White Bill in November 2011 in order to expedite the legislative process. THB will make every effort to have the legislation enacted in 2012.

Investing for a Caring Society

Maintaining the supply of PRH for low-income households with housing needs with a target of an average waiting time of around three years for general Waiting List applicants

28. The objective of the Government and the HA is to provide PRH flats to low-income families who cannot afford private rental accommodation. The HA has a five-year Public Housing Construction Programme which will be rolled forward every year to cater for public demand for PRH. According to the latest programme, the anticipated new PRH production for the five-year period starting from 2011/12 to 2015/16 is about 75 000 flats, averaging about 15 000 flats per year. Together with the existing PRH flats estimated to be recovered every year, this will allow the Government to meet its policy objective of maintaining the average waiting time (AWT) for general PRH Waiting List (WL) applicants at around three years¹. As at end June 2011, the AWT was 2.2 years for general WL applicants and 1.1 years for elderly one-person applicants.

Inviting Non-Government Organizations to organize enhanced partnering functions with Estate Management Advisory Committees to promote community building and neighbourliness in PRH estates

29. Since 1995, the Estate Management Advisory Committees (EMACs) have been reflecting tenants' views on daily management matters, assessing the performance of cleansing and security contractors, and strengthening tenants' sense of belonging towards the community by organizing various community activities. In view of the well-established community network of non-government organizations (NGOs) and their ability to provide PRH tenants with a multitude of social services based on local needs, the HA has allowed EMACs to invite NGOs to organize partnering functions with their funding support since October 2009. EMACs are responsible for selecting the appropriate NGOs as well as monitoring and assessing their performance. As

¹ Not applicable to non-elderly one-person PRH applicants.

at end August 2011, some 550 partnering functions have been held by EMACs to strengthen mutual care and support network among tenants in PRH estates.

Implementing a set of enhanced public housing arrangements to promote mutual family support and care for the elderly

30. To tie in with the Government’s policy of fostering harmonious families, the HA endorsed some enhanced arrangements in May 2007 and October 2008 respectively to facilitate “aging in place” for the elderly and encourage mutual support among family members so as to establish a family-based support network in PRH. Satisfactory responses have been received from the various schemes, and the number of households which have benefited from these schemes is as follows:

Enhanced Public Housing Arrangements	Number of Households Benefited (As at end August 2011)
Harmonious Families Priority Scheme	10 000 ²
Harmonious Families Addition Scheme	7 480
Harmonious Families Transfer Scheme	860
Harmonious Families Amalgamation Scheme	410
Total	18 750

31. The HA will continue to monitor the effectiveness of the policy on fostering harmonious families and to conduct timely reviews of the direction and administrative arrangements of the policy so as to ensure that it would keep pace with the social environment and the public demand.

Installing as far as practicable lifts/escalators connecting common areas in hillside PRH estates and lifts in low-rise public housing blocks without lifts to facilitate access of residents

32. The HA has been installing lifts and escalators in the common areas or housing blocks of 29 PRH estates to facilitate access for tenants living in hillside PRH estates without lifts. The relevant projects cost around \$670 million. All projects are scheduled for completion before end 2012 with works in 20 PRH estates to be completed before end June 2012.

² Including 7 300 WL households which have been allocated with PRH units.

(I) To improve the connection of common areas in hillside PRH estates

33. The HA is installing lifts and escalators in the existing hillside estates, having regard to the estate topography, the number of elderly and mobility-handicapped tenants in the estates, the project feasibility and the residents' views. The lifts installed in Kwai Chung Estate, Kwai Shing East Estate and Sai Wan Estate have already come into operation. The remaining lifts addition projects in Kwai Chung Estate, Shek Lei (II) Estate, Tze Lok Estate, Shun Tin Estate, Ping Tin Estate, Oi Man Estate, Yiu Tung Estate, Wah Fu (I) Estate, Wah Fu (II) Estate, Tin Wah Estate, Kwai Shing West Estate, Lai King Estate, Lei Muk Shue (II) Estate, Cheung Ching Estate, Cheung Hong Estate, Cheung Hang Estate and Lai Yiu Estate are under construction.

(II) To improve lift installations for residential blocks

34. Where it is technically feasible, the HA will install additional lifts in low-rise buildings without lift services. As at end August 2011, the HA has retrofitted lifts in Tai Hing Estate, Yue Wan Estate, Lek Muk Shue (II) Estate Block 4, Choi Hung Estate and Shui Pin Wai Estate. The lift tower addition projects in Ping Shek Estate, Shun On Estate, Wo Lok Estate, Pak Tin Estate, Fuk Loi Estate, Lei Muk Shue (II) Estate Block 1, Lek Yuen Estate and Kwai Shing West Estate are in progress.

**Transport and Housing Bureau
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