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Panel on Housing

Report of the Subcommittee on the Long Term Housing Strategy

Purpose

This paper reports on the deliberations of the Subcommittee on the Long Term Housing Strategy ("the Subcommittee") formed under the Panel on Housing ("the Panel").

Background

2. In September 2012, the Government launched the Long Term Housing Strategy ("LTHS") review as part of its efforts to take forward its housing vision. The review aims to ensure optimal use of the existing land and housing resources to meet housing needs of the community in the short, medium and long term. The Long Term Housing Strategy Steering Committee ("the Steering Committee")¹ was formed by the Government to take forward the review and make recommendations on Hong Kong's LTHS for the next 10 years.

The Subcommittee

3. In view of the importance of LTHS, the Panel appointed the Subcommittee at its meeting on 3 December 2012 to enable members to take an active part in the review and to make timely recommendations on the formulation of LTHS as appropriate. It was decided that the Subcommittee would study the following issues –

- (a) the changing housing needs and aspirations of specific groups in the community, including young people, the elderly, poorly-housed households and the first-time home buyers, and the measures to address their housing needs;

¹ The Steering Committee is chaired by the Secretary for Transport and Housing and comprises 15 non-official and three official members, namely the Permanent Secretary for Transport and Housing (Housing), the Permanent Secretary for Development (Planning and Lands), and the Government Economist.

- (b) the forecast of housing demands for both public and private sectors and their implications on housing supply;
- (c) ways to maximize and rationalize the existing public housing resources;
- (d) setting of priorities for different groups in the community; and
- (e) current planning and land use, as well as public and private housing policies and practices.

4. The terms of reference and membership of the Subcommittee are set out in **Appendices I and II** respectively. Pursuant to Rule 26(c) of the House Rules, the House Committee's approval was obtained on 15 November 2013 for the Subcommittee to continue its work until 30 September 2014.

5. Under the chairmanship of Hon WONG Kwok-hing, the Subcommittee held 11 meetings, including 10 meetings with the Administration. At the meeting on 11 November 2013, the Subcommittee received views from the public on the Consultation Document entitled "Building Consensus, Building Homes" issued by the Steering Committee ("the Consultation Document"). A list of the deputations/individuals which/who have given views to the Subcommittee is in **Appendix III**.

6. To assist members in their deliberation, the Research Office of the Legislative Council Secretariat has conducted studies on various issues examined by the Subcommittee. A list of the information notes prepared by the Research Office for the Subcommittee is in **Appendix IV**.

Deliberations of the Subcommittee

7. At the commencement of its work, the Subcommittee received a briefing by the Administration on the scope and progress of the LTHS review. The Subcommittee noted that the review would cover: (a) compilation, collation and comprehension of all relevant housing-related information; (b) ways to increase housing supply, including optimization of the usage of existing public and private housing stock, in the short, medium and long term; and (c) projection of housing demand for both public and private sectors to meet the needs of various groups in the community.

8. The Subcommittee was also advised that the issues which the Steering Committee would examine included the housing needs of specific groups in the community and the priorities in addressing those needs; public rental housing

("PRH") Waiting List ("WL") position including reviewing the Quota and Points System ("QPS"); measures to maximize/rationalize the use of public housing resources; projection on housing demand for both public and private housing; and housing supply issues and recommendations on existing policies and practices where appropriate, so as to address the housing needs of different groups in the community. The Steering Committee would publish a consultation document on the LTHS review to set out its findings and make recommendations on the way forward. After public consultation, the Steering Committee would submit a report on the public consultation to the Government for consideration. The Government would then take into full account the recommendations of the Steering Committee and the views received from the public in formulating the LTHS and relevant policy measures.

9. The Subcommittee decided that it would study the above issues in parallel with the Steering Committee in order that members' views given on the issues could be timely taken into account by the Steering Committee in formulating its recommendations for public consultation. The Subcommittee would also discuss the Consultation Document and the Report on the Public Consultation to be published so that members' views and concerns on the recommendations of the Steering Committee could be taken into full consideration by the Government in its formulation of the LTHS and relevant policy measures.

10. The deliberations of the Subcommittee, as set out in the ensuing paragraphs, are divided into two parts. Part I reports on the Subcommittee's deliberations on the issues covered in the LTHS review before publication of the Consultation Document by the Steering Committee. Part II reports on the Subcommittee's deliberations on the Consultation Document and the Report on the Public Consultation after their publication by the Steering Committee, and on the public views received on the issues.

Part I : Deliberations on the issues covered in the Long Term Housing Strategy review before publication of the Consultation Document

Projection of long term housing demand

11. The Subcommittee has discussed the Steering Committee's methodology for projecting long term housing demand and the key components to be included in the projection.

12. The Subcommittee has been advised that for the purpose of housing demand projections, housing demand is defined as the total number of new housing units required to be built if each and every household is to be accommodated in adequate housing over the long term. Accordingly, the Steering Committee has assumed that those who are already adequately housed

currently will have no new need for housing units in net terms, even though some households may move between different housing units within the existing housing stock. Only the following components will count towards the number of new housing units required –

- (a) net increase in the number of households;
- (b) those who will be displaced by redevelopment; and
- (c) those who are inadequately housed.

13. Members have given views on the factors affecting the net increase in the number of households that should be taken into consideration in projecting long term housing demand. These include the high divorce rate, the trend towards remaining single, the average living space per person, the gender structures of domestic households, the investment demand for housing, etc. The Administration is also urged to be mindful of the size and age structure of domestic households as that would generate new physical housing demand.

14. Members have further suggested that the following aspects should be examined in the LTHS review in order to make an accurate projection of housing demand –

- (a) the lessons learnt from important issues in the past and the analysis and recommendations made in previous LTHS reviews;
- (b) the housing initiatives of the Chief Executive, e.g. the "Hong Kong Property for Hong Kong People" policy; and
- (c) the changes in the population and demographic characteristics of Hong Kong, e.g. the upsurge in the number of babies born in Hong Kong whose parents are both non-permanent Hong Kong residents (commonly known as "doubly non-permanent resident children").

15. The Subcommittee notes the Steering Committee's view that investment demand should not be taken into account in projecting the overall housing demand. However, members are generally of the view that investment demand may affect the demand-supply balance in the housing market and further increase property prices. For instance, some private units are not re-sold or let in the property market but have been left vacant for years after being purchased. Hence, they disagree to the complete exclusion of investment demand in the projection of long term housing demand.

16. The Subcommittee has called for a clear definition of the term "adequate housing" as it would help the Administration to forecast the overall housing demand more precisely, thereby formulating effective measures to meet the housing needs of various groups in the community. There are views that the concept of providing adequate housing to each and every household over the long term should not only focus on the housing needs of the poorly housed households. The housing needs of those already accommodated in adequate housing but wish to improve their living environment should also be taken into account in the projection of housing demand.

Housing needs of specific groups in the community

17. The Subcommittee notes that the Steering Committee has selected four specific groups (i.e. the elderly, non-elderly singletons, poorly-housed households, and youngsters and first-time home buyers) for closer examination of their housing needs, and whether and how their housing needs can be met and with what priority.

The elderly

18. According to the Population Census and the Population Projections for 2012-2041 published by the Census and Statistics Department ("C&SD") in July 2012, the population in Hong Kong is expected to remain on an ageing trend. The age group of 60 and above increased from about 15% to 19% from 2001 to 2011, and will rise to 27% in 2021; 33% in 2031; and 36% in 2041.

19. The Subcommittee notes that the Government's elderly policy is to encourage the elderly to "age in place", with the principle of supporting "ageing in place as the core, institutional care as back-up". To support the ageing in place policy, the Hong Kong Housing Authority ("HA") offers a number of housing schemes which cater for the specific needs of those elderly who meet the general eligibility criteria for PRH. These schemes include the Single Elderly Persons Priority Scheme², the Elderly Persons Priority Scheme³, and the Harmonious Families Priority Scheme⁴. Regarding those middle-income elderly who are not eligible for PRH, the Hong Kong Housing Society ("HS") offers the

² Under the Single Elderly Persons Priority Scheme, priority processing over the applications by ordinary families would be accorded to elderly one-person PRH applicants who wish to live alone.

³ Under the Elderly Persons Priority Scheme, priority processing over the applications by ordinary families would be accorded to two or more elderly persons who undertake to live together upon flat allocation.

⁴ The Harmonious Families Priority Scheme is designed to encourage younger family members to take care of their elderly parents (who must have reached the age of 60 at the time of application) and to promote harmony in the family. Eligible families may opt to live in one flat or two nearby flats according to their choice of district and the number of flats available given their family circumstances.

Senior Citizen Residence Scheme⁵ and the Joyous Living Scheme⁶ to fill the service gap.

20. The Subcommittee has been informed that in addition to the above, the Community Care Fund ("CCF") has launched an assistance programme entitled "Subsidy for Elderly Tenants in Private Housing" to release a one-off sum to eligible elderly persons aged 65 and above to relieve their pressure in view of rising inflation and cyclical rental increases. CCF has set aside around \$50 million for the programme, and about 9 700 elderly households (about 11 900 persons) are expected to benefit. The application period commenced in July 2012 and closed in January 2013.

21. In examining the housing needs of the elderly, the Subcommittee has referred to HA's Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources (commonly referred to as the "Well-off Tenants Policies"). Under the Well-off Tenants Policies, households living in PRH for 10 years or more are required to declare household income biennially. Those with a household income exceeding the prescribed income limits, namely the Subsidy Income Limits, have to pay 1.5 times or double net rent plus rates. Those with total household income and net assets value both exceeding the prescribed income and asset limits are required to vacate their PRH units.

22. Members are of the view that the Well-off Tenants Policies have the effect of inducing young people to move out of their parents' PRH units and hence are inconsistent with the Government's policy to encourage the younger members of a family to look after the elderly. The policies also go against the objective of the allocation measures implemented by HA to promote mutual family support. Members have urged HA to review the Well-off Tenants Policies and exercise flexibility in lifting the requirement of well-off tenants to pay higher rents so that the second generation of PRH households would be encouraged to continue to live with their elderly parents or dependents even if their household income has exceeded the prevailing income limits, thereby enabling better mutual care and fostering harmonious families.

23. There is also the suggestion that HA should consider enhancing the Harmonious Families Priority Scheme to expedite allocation of PRH units which

⁵ The Senior Citizen Residence Scheme ("SEN") aims at providing purpose-built housing for elderly aged 60 and above who have the means to live an independent life. SEN units are disposed of under a "long lease" arrangement. After payment of an entry contribution, the elderly can live in the units free of rental payment thereafter. During the tenancy, they only need to pay management fees which include basic services, and can also enjoy optional services provided by the operator on a user-pay basis.

⁶ The Joyous Living Scheme is designed for elderly aged 60 and above who can afford and who are willing to pay for rental flats (and ancillary services tailored for their needs) at market rates.

suit the choice of district of younger PRH applicants opting to live together with their elderly parents or dependents in one flat, thereby boosting a family-based support network. Besides, HA should consider allowing PRH applicants to select a smaller district or a PRH estate within the four designated WL Districts so that they could take care of their elderly parents or dependents who are living in that particular district or PRH estate.

Non-elderly singletons

Quota and Points System

24. The Subcommittee notes that it is the current policy of the Government and HA to accord priority to general applicants (including family applicants and elderly applicants) over non-elderly one-person applicants in the allocation of PRH units. Towards this end, QPS was introduced in September 2005 to rationalize and to re-prioritize the allocation of PRH to non-elderly one-person applicants. Under QPS, the annual allocation quota for non-elderly one-person applicants is set at 8% of the number of PRH units to be allocated to applicants on the WL, subject to a ceiling of 2 000 units. Points are assigned to applicants based on three determining factors, namely, age of the applicants at the time of submitting their PRH applications; whether the applicants are PRH tenants; and the waiting time of the applicants⁷.

25. The Subcommittee understands that under QPS, the older the applicant and the longer the applicant has waited, the higher the number of points. The higher the number of points accumulated, the higher the chance for an applicant to be offered a PRH unit earlier. The average waiting time ("AWT") target of about three years is not applicable to non-elderly one-person applicants under QPS.

26. The Subcommittee has been advised that as at end-December 2012, there were about 115 300 general applications and about 106 900 non-elderly one-person applications under QPS on the WL. As compared with the position at end-December 2011, the number of general applications and non-elderly one-person applications under QPS has increased by 20% and 34% respectively.

⁷ Details of the points system under QPS are as follows –

- (a) age of the applicant at the time of submitting his/her PRH application – zero point will be given to applicants aged 18. Three points will be given to those aged 19; six points to those aged 20 and so forth;
- (b) whether or not the applicant is a PRH tenant – for applicants living in PRH (including those living in rental housing operated by HS), 30 points will be deducted; and
- (c) the length of time the applicant has waited – one additional point will be received when the applicant concerned has waited on the WL for one more month.

27. On the profile of the non-elderly one-person applicants under QPS, the Subcommittee has been informed that as at end-December 2012, among the 106 900 non-elderly one-person applicants under QPS, 67% (71 500) were aged 35 or below. According to the HA's 2012 Survey on WL Applicants for PRH, among the non-elderly one-person applicants aged 35 or below, 34% were students when they applied for PRH, 47% of them had post-secondary or above education attainment, and 33% were PRH tenants. However, for those aged above 35, only 7% of them had attained post-secondary or higher education.

28. The Subcommittee has been informed of the Steering Committee's view that among the non-elderly one-person applicants under QPS, those who lack upward mobility and who may have greater difficulty in improving their living conditions on their own, should be accorded higher priority. When housing resources permit, consideration should be given to extending the AWT target of about three years to those non-elderly one-person applicants over a certain age under a phased approach, starting from, say, the age of 45 or 55 and progressively moving the eligibility point down to 35. Members also note the Steering Committee's recommendation that as an immediate measure, QPS should be enhanced by allocating extra points to those above the age of 35 with a view to improving their chance to gain earlier access to PRH. Other than age, consideration may also be given to setting the criteria based on need, taking into account the specific circumstances of individual applicants. For the non-elderly one-person applicants under QPS who are currently on the WL, the Steering Committee considers that a periodic review of their income and assets may be conducted, with a view to removing the ineligible applicants from the WL, especially those who registered when they were students, and who are most likely to earn an income which will exceed the WL income limit after graduation.

29. The Subcommittee generally takes the view that the Administration is not responsive to the significant upsurge in the number of non-elderly one-person applicants in recent years. Some members have further commented that the statistics on QPS as provided by the Administration deliberately smeared those non-elderly one-person PRH applicants who have attained post-secondary or higher education and those who are students. In these members' view, all PRH applicants, including non-elderly one-person applicants, elderly applicants and family applicants, are facing the same housing needs and the Administration should explore other effective measures to meet their demand, apart from prioritizing limited PRH resources amongst them. They support that not only non-elderly one-person applicants, but all PRH applicants on the WL should go through the proposed periodic review of income and assets recommended by the Steering Committee for the sake of fairness.

30. In members' opinion, QPS has lengthened the waiting time of non-elderly one-person applicants and reduced their chance of being allocated PRH units. The 2 000 PRH units set aside for such applicants each year under QPS are

insufficient. QPS, coupled with the soaring prices of private properties which are far beyond the affordability of young people, have caused them to delay their marriage decisions and have resulted in a vicious cycle where more and more young people remain single and register on the WL as non-elderly one-person applicants. There is also the suggestion that HA should consider removing the deduction of 30 points for those applicants currently living with their families in PRH. Otherwise, such applicants would have very slim chance of being allocated PRH units.

31. Noting the Steering Committee's view that non-elderly one-person applicants aged 35 or below with post-secondary or higher education are expected to have upward social mobility and earn an income exceeding the WL income limit, members have commented that education attainment might not necessarily be related to income level and social mobility positively nowadays. They disagree with Steering Committee's assumption that non-elderly one-person applicants with post-secondary or higher education can improve their living conditions on their own. They opine that applicants' upward mobility and ability to improve living condition are not objective enough to be adopted as criteria for early PRH allocation.

32. On the other hand, some members support the Government's policy to accord a higher priority to family applicants and elderly applicants over non-elderly one-person applicants in PRH allocation given the limited supply of PRH units. Apart from increasing PRH production, they have urged the Administration to provide youth hostels for young people awaiting PRH to live in until they are allocated PRH units, so as to meet their housing needs.

Inadequately housed households

33. As advised by the Administration, inadequately housed households ("IHHs") refer to those living in private temporary huts, roof-top structures, unsheltered accommodation, rooms/cubicles, bed spaces or cocklofts in private permanent housing, and "subdivided units" ("SDUs"). As members are gravely concerned about the problems faced by tenants of SDUs, the Subcommittee's deliberations on SDUs are set out separately in the later part of this report.

34. According to the General Household Survey of C&SD, as at end June 2012, there were some 31 800 domestic households, with a total of 64 900 people living in private temporary housing or in the rooms, cubicles, beds paces and cocklofts of private permanent housing. As indicated in the result of Population Census 2011 conducted by C&SD, as at mid-2011, there were some 3 044 domestic households, with a total of 6 230 people living in quarters in non-residential buildings (including commercial buildings and industrial buildings).

35. Members are gravely concerned that the current production volume of PRH is insufficient to meet the demand of the public, causing PRH applicants on the WL having to wait for a long period of time for flat allocation. Noting the assistance programme launched by CCF to release a one-off sum to eligible elderly persons aged 65 and above to relieve their pressure in view of rising inflation and cyclical rental increases, members have requested the Administration to consider introducing a similar programme to offer rental subsidies to all IHHs. To alleviate the housing problems faced by low-income families, many members have strongly urged the Administration to consider reinstating rent control on residential properties. Besides, rental subsidies could be provided to households which are eligible for PRH and are awaiting their turn for PRH allocation. Consideration should also be given to providing transitional housing for people who are inadequately housed in the interim.

36. While agreeing that PRH resources are scarce and limited and hence there is a need to prioritize PRH allocation, some members have suggested that the Administration should consider giving priority in PRH allocation to those displaced occupants who have been rendered homeless as a result of its clearance actions against their SDUs. Other members have highlighted the poor living conditions of people residing in squatter huts and abandoned containers in rural areas. They have urged the Administration to include these people in its study of the housing needs of IHHs and to assist them in applying for PRH.

Youngsters and first-time home buyers

37. The Subcommittee notes that by analyzing the past Home Buyers Surveys conducted by the Housing Department and C&SD's Population Census/By-census, two groups of potential first-time home buyers have been identified –

- (a) non-owner occupied households - those with households head aged 25 to 39, living in PRH or rented private flats; and
- (b) single youngsters - economically active individuals aged 25 to 39 (excluding foreign domestic helpers) who are not household heads and have never married.

38. Regarding non-owner occupied household heads aged 25 to 39, the Subcommittee has been advised that the soaring flat prices have made it more difficult for these households to own a flat. Nonetheless, the median monthly income level of these households in 2011 was higher than that of all households in Hong Kong (\$21,400 vs. \$20,500), and it had actually risen faster than that of all households in Hong Kong during the period from 1996 to 2011 (34% vs. 17%). As such, the situation for this group of potential first-time home buyers is not worse than the society as a whole.

39. As for single youngsters, the Subcommittee has been advised that both the level of these youngsters' median monthly income in 2011 and the cumulative change between 1996 and 2011 were similar to those for the whole working population, at \$12,000 and 22% respectively. Assuming that these single youngsters would buy a private flat of 30m² to form a singleton household, the mortgage to income ratio would increase from 35% in 2001 to 65% in 2011. This suggests that unless they receive some form of financial assistance, it would be very difficult for a typical single youngster to own a private flat of 30m². However, for those youngsters who have attained education level at university and above and aged 25 to 29, while their income growth has remained somewhat stagnant, their monthly income of \$17,000 are still relatively better off than many other sectors in the community.

40. Members have expressed concerns on the measures taken by the Administration to address the housing needs and aspirations of the middle-income first-time home buyers who cannot afford flats in the private sector, particularly the provision of Housing Ownership Scheme ("HOS") flats. Noting that the housing ladder has been reinstated with the resumption of the construction of HOS and the Administration has already introduced measures to curb speculation activities in the property market, members are of the view that pricing of the new HOS should be unpegged with the market prices so as to lower their selling prices. For instance, the Administration may use construction costs as the basis of the pricing of HOS flats.

41. On the role of HS in public housing development, members have pointed out that in the past, HS has provided subsidized housing to cater to the needs of the middle class who cannot afford private flats and are also ineligible for PRH. They opine that the Administration should enhance the role of HS in providing public housing. The Administration has responded that HS has been providing a wide range of different types of housing, such as the Greenview Villa which is a subsidized sale project. HS is also working with the Urban Renewal Authority ("URA") on urban renewal projects. Given the diverse portfolios of HS, the Administration will continue to engage HS in providing subsidized housing.

Subdivided units

Extent of the problem and assistance for tenants of subdivided units

42. According to the Administration, SDUs are not defined in the Buildings Ordinance (Cap. 123) ("BO") and there is currently no universally-accepted definition for this term. The term is commonly used to describe a unit which is subdivided into two or more smaller self-contained units for sale or rental, and

each of these smaller units usually has its own toilet or even its own cooking place. As the Government did not have data regarding the total number of SDUs per se, the Steering Committee commissioned Policy 21 Limited, an independent research institution, to conduct a survey on SDUs in Hong Kong ("the Survey"). The objective of the Survey is to estimate the number of SDUs in the territory and to gather information on the profile of tenants living therein in order to provide the Steering Committee with objective information to facilitate its deliberations on the long term housing demand of Hong Kong.

43. The Subcommittee has been briefed on the findings of the Survey. The gist of the major findings is as follows –

- (a) the estimated number of SDUs is 66 900 units in total. Of the 66 900 SDUs, it is estimated that 30 600 SDUs are not equipped with one of the essential facilities inside the unit, i.e. kitchen/cooking area, toilet or water supply;
- (b) it is estimated that there are about 171 300 persons living in these SDUs;
- (c) SDUs are found to be occupied by predominately small households. 27.1% of the SDUs are one-person households, 26.2% and 20.7% are 2-person households and 3-person households respectively. The remaining are households of a bigger size. Some 13.7% of households living in SDUs are Comprehensive Social Security Assistance ("CSSA") recipients; and
- (d) 49.6% of households living in SDUs have applied for public housing. Among them, 97.1% are on the WL, 2.7% do not meet the criteria and 0.2% have accepted the offer and would soon move to public housing.

44. The Subcommittee has also been informed that the Survey was conducted on private domestic/composite buildings solely. Policy 21 had attempted to cover industrial buildings in the Survey with a view to estimating the number of SDUs and households in these buildings, but it encountered problems in gaining entry to these buildings.

45. The Subcommittee appreciates that the Survey has provided a more accurate estimate on the prevalence of SDUs in the territory. On the findings of the Survey, members note with grave concern that there are nearly 67 000 SDUs in Hong Kong, involving more than 170 000 residents. As revealed by the Survey, almost half of the SDU tenants surveyed have not applied for PRH, probably because their household income has exceeded the prevailing income limit for PRH. There are also many who work hard to earn a living without

seeking financial support from CSSA. To improve the poor living conditions of SDU tenants, members have urged the Administration to consider relaxing the income and asset limits for PRH so that more SDU tenants would be eligible for PRH. If there are SDU tenants whose income is slightly above the prevailing income limit for PRH but is still within a reasonable range, the Administration should exercise discretion to consider such special or marginal cases according to the merit of individual cases. The Administration is also requested to assist SDU tenants in applying for PRH if they fulfill the prescribed eligibility criteria.

46. As for the other half of the SDU households surveyed who have applied for PRH and are awaiting PRH allocation, members strongly urge the Administration to consider offering rental subsidies to them so as to alleviate their housing difficulty. Some members also consider that the Administration should give priority to such households in PRH allocation. The Administration is also requested to reinstate rent control on residential properties to address the plight of low-income families.

47. In view of the lead time for construction of PRH, some members have further suggested that the Administration should consider providing interim housing as temporary accommodation for SDU tenants awaiting PRH.

Enforcement action against irregularities of building works associated with subdivided units

48. The Subcommittee is also concerned about the problems of building safety and fire escape posed by SDUs, and whether the Administration has formulated a holistic package of measures with timeframes to tackle the problem of SDUs and enhance the awareness of building owners that they should not carry out unauthorized building works ("UBW") to subdivide their flat units for rental purposes.

49. Some members have further pointed out that SDUs have existence value as they provide affordable accommodation to people who are not eligible for PRH or wish to live in the urban areas which are closer to their workplaces or children's places of study. A total ban on such units is impossible. In anticipation that the problem of SDUs cannot be tackled within a short period of time, these members recommend that the Administration should step up control over SDUs to ensure their safety, particularly those located in old-style domestic and composite buildings.

50. The Administration has advised that initiatives are being proactively implemented to strengthen control over the building works associated with SDUs. Since April 2011, the Buildings Department ("BD") has launched a large scale operation ("the LSO") to inspect 150 target buildings per year to identify and rectify irregularities of building works associated with SDUs. The LSO has

been enhanced in April 2012 by increasing the target to 200 buildings per year, including 30 industrial buildings. In addition, BD and the Fire Services Department ("FSD") have launched a joint operation commencing from 8 April 2013 to inspect the common means of escapes of about 6 500 old-style domestic and composite buildings. Appropriate enforcement actions against the irregularities identified, including issuing removal orders or Fire Hazard Abatement Notices, as well as instigating prosecutions against offenders, would be taken in accordance with relevant legislation. The joint operation is expected to be completed in a year's time.

51. To ascertain the results of the enforcement actions, the Subcommittee has requested the Administration to provide, by 7 August 2014, a report on the effectiveness of the joint operation launched by BD and FSD from 8 April 2013 as mentioned in the last paragraph, and the latest progress of the enforcement actions taken against the irregularities identified in the buildings inspected.

Subdivided units in industrial buildings

52. Members have observed that there are more and more SDUs in industrial buildings. Noting that the Survey did not cover SDUs in industrial buildings, members have urged the Administration to conduct another survey in this respect, so as to have a more comprehensive picture of the prevalence of SDUs in Hong Kong.

53. Members are also dissatisfied that in taking enforcement action against UBW in industrial buildings, BD has not taken into account the difficulties faced by individual displaced tenants and has failed to provide them with adequate financial support and housing assistance. Besides, the eligibility and assessment criteria for the relocation allowance funded by CCF are overly stringent. As a result, some displaced tenants moving out of their SDUs have been rendered homeless. The Administration is requested to proactively assist the displaced tenants who have been driven out of their SDUs due to the Administration's enforcement action or redevelopment projects.

Conversion of industrial buildings into transitional accommodation

54. The Administration has briefed the Subcommittee on the existing measures to facilitate the redevelopment and wholesale conversion of older industrial buildings, and the findings of the study of the feasibility to facilitate wholesale conversion of industrial buildings for "transitional accommodation" use.

55. The Subcommittee notes that under the option of allowing wholesale conversion of industrial buildings for "transitional accommodation" use, owners of industrial buildings carry out modification works to convert their existing industrial buildings to provide small-sized residential units for letting on an interim basis. The Administration has examined this option in the context of the policy on revitalization of industrial buildings.

56. The Administration has advised that it considers the option of transitional accommodation not practicable and it should continue with the on-going industrial area reviews to identify suitable industrial sites for rezoning to uses in higher demand in the community, including residential use. The Administration's conclusion is based on the following considerations –

- (a) from the building control perspective, industrial buildings generally do not meet the design and planning requirements for domestic use. Converting an industrial building into transitional accommodation in compliance with the relevant building standards and requirements would involve substantial alterations or even demolition of parts of the building in some if not most cases. Such works, even if technically feasible, would be costly and would affect the viability of such schemes;
- (b) from the town planning perspective, suitable sites are zoned for industrial use having regard to a number of considerations, such as the surrounding environment, traffic conditions, noise impact, etc. For an industrial building situated within an industrial zone, the street environment and the exposure to noise may render the industrial building unsafe for residential use. Rezoning suitable industrial areas into residential and other uses is a more appropriate measure that would ensure the well-being of the future residents; and
- (c) from the land lease perspective, wholesale conversion of an existing industrial building for "transitional accommodation" use can be effected through application for special waiver. Nonetheless, the prerequisite is that the proposed conversion has to satisfy all the relevant town planning and building requirements.

57. Members are generally disappointed that the option of transitional accommodation is considered not practicable. They are of the view that the existing living environment of most SDUs and bedspace apartments are even more undesirable and dangerous than that of converted industrial buildings. They have urged the Administration to adopt a more flexible approach and consider relaxing the relevant building and safety requirements to allow owners to wholly convert their industrial buildings into "transitional accommodation"

use on an interim basis, so as to address the plight of IHHs, in particular those living in SDUs in industrial buildings.

58. Regarding the proposal to relax relevant building and safety requirements to enable the conversion of industrial buildings into transitional accommodation, the Administration has advised that the specific building standards and requirements for domestic buildings under BO, including the provision of natural lighting, ventilation, fire safety, etc. are stipulated on safety and health grounds for protecting the well-being of occupants. While the relevant regulations can be changed subject to the necessary legislative amendments, it is not advisable from the building and fire safety point of view to relax such standards and requirements as this would compromise the safety and health of occupants. In addition, it is also necessary to carefully assess whether the proposed conversion would be compatible with the operation of existing neighbouring industrial buildings. On balance, the Administration is of the view that safety should not be compromised in attempting to address the need for housing.

59. Members are not convinced of the Administration's above considerations. They opine that in view of the lead time for construction of PRH, the Administration should expeditiously review all the relevant regulations to facilitate industrial building conversion as it would be a faster way to increase flat supply. The concerns on fire safety, hygiene and structural in relation to any such conversion can be addressed.

60. Some members have further criticized the Administration for not proactively identifying more suitable industrial sites for rezoning to residential use, and for giving the public a false hope that the wholesale conversion of industrial buildings would help provide small transitional flats for IHHs on an interim basis. In these members' view, the Administration have been transferring benefits to large consortia and private property developers who own a large number of industrial buildings and would be profiteering from redeveloping or wholly converting their industrial buildings for business uses. The Administration has responded that owners who apply for redevelopment of their industrial buildings would be charged a land premium if their proposed redevelopment projects require a lease modification or land exchange. There is no question of collusion between the Government and individual property developers or consortia nor any transfer of benefits.

61. On the other hand, a few members have expressed support for the various considerations of the Administration in not pursuing the option of allowing wholesale conversion of industrial buildings for "transitional accommodation" use. They opine that the crux of the housing problem is inadequate supply of land and the Administration should step up its efforts to increase land supply for public housing development.

62. Members have further enquired whether the Administration would consider adopting the concept of "mixed development" to redevelop industrial buildings in collaboration with private property developers, under which the private sector would build flats with a certain amount of gross floor area reserved for the Administration to develop public housing. The Administration has advised that the plot ratio for industrial buildings is higher than that for residential ones and hence mixed use if allowed on a town plan would imply reduction in gross floor area. In any event, redevelopment of privately owned industrial buildings into other uses including residential uses would be at the initiative of the owners of those buildings. The Administration would examine this option separately.

Measures to maximize the rational use of public rental housing resources

63. The Subcommittee has received a briefing on the results of HA's analysis on the housing situation of applicants on the WL based on the data as at end-June 2012, and the measures implemented by HA to maximize the rational use of PRH resources.

Waiting time for public rental housing

64. The Subcommittee notes that it is HA's target to maintain the AWT for PRH at around three years for general applicants (excluding non-elderly one-person applicants under QPS and at around two years for elderly one-person applicants). Under the established methodology, waiting time refers to the time taken between registration on the WL and the first offer of a flat, excluding any frozen period during the application period (for example, when the applicant has not yet fulfilled the residence requirement; the applicant is imprisoned; the applicant has requested to put the application on hold pending arrival of family members for family reunion). The AWT for general applicants refers to the average of the waiting time of general applicants housed to PRH in the past 12 months. As at end-September 2012, there were 110 400 general applicants and 100 000 non-elderly one-person applicants under QPS on the WL for PRH. The AWT for general applicants and elderly one-person applicants were 2.7 years and 1.4 years respectively.

65. Members have expressed concern that when compared to the figures of June 2011, there were more general applicants who received their first offer at or after three years and there were also more general applicants on the WL who had waited for more than three years and had yet to receive the first offer as at end-June 2012.

66. Some members have also commented that the actual length of time an applicant spent on waiting for PRH (i.e. from filing a PRH application to flat in-take) is often longer than the AWT of three years. They have cited the following examples of unfair arrangements in PRH allocation –

- (a) the AWT is defined as the period between registration on the WL and the first flat offer. The period between filing a PRH application and registration on the WL, which normally takes about three months, is not counted as part of the waiting time of an applicant;
- (b) some PRH applicants have been required to provide supplementary information and documents piecemeal from time to time, thus unnecessarily prolonging the processing time of their applications;
- (c) whilst eligible PRH applicants are given three housing offers, there are often long intervals between offers. In some cases, applicants are allocated less popular PRH units as their first housing offers. Upon refusal of such offers, applicants often have to wait for a long time for subsequent housing offers; and
- (d) PRH applicants are required to undergo detailed eligibility vetting (e.g. the income and asset tests) whenever they get a housing offer, even if it is just about a year from the last checking. Such repeated checking at different times causes nuisance to applicants and inevitably lengthen their waiting time for flat in-take.

67. On the above observations, the Administration has explained that as all PRH applicants are given notices on the documents that are required to be submitted together with their applications, they should be aware that their applications cannot be processed if any of the required supporting documents are missing. PRH units, including the unpopular ones, are allocated randomly and HA is obliged to inform prospective tenants of the history of the units to be allocated to them. Whilst HA tries to give three housing offers to individual PRH applicants as quickly as possible, PRH allocation largely depends on the prevailing availability and distribution of housing resources. Since the income and assets of PRH applicants may be changing constantly, it is considered reasonable that the validity of the income and assets declarations made by individual applicants should not be more than six months so as to ensure that the limited PRH resources are allocated to those with genuine need.

68. Other members have recommended that the Administration should consider offering incentives to encourage PRH applicants to move to estates located in relatively remote areas in order to expedite the letting of less popular PRH units. The Administration has responded that it would study whether special arrangements can be made to attract PRH applicants to accept units in

remote districts.

Well-off Tenants Policies

69. According to the Administration, as at end-December 2012, among the total of 709 200 PRH households under HA, 19 300 were paying 1.5 times rent, 2 600 were paying double rent, and 30 were paying market rent, accounting for a total of 3% of the total PRH households.

70. The Subcommittee has commented on the impacts of the Well-off Tenants Policies when considering the housing needs of the elderly, as mentioned in paragraph 22 above.

71. Members have further commented on the operation and effectiveness of the Well-off Tenants Policies. They have criticized that the policies cause nuisance to PRH households which are required to declare their income biennially if they have been living in PRH for 10 years. Noting that only 3% of the total PRH households are well-off tenants and only a small number of PRH units can be recovered from such tenants for re-allocation, members consider the Well-off Tenants Policies not effective for speeding up the turnover of PRH units to address the housing needs of applicants on the WL. Besides, young people who have moved out of their parents' PRH units to avoid paying higher rents would register on the WL for PRH allocation, leading to an upsurge in the number of non-elderly one-person PRH applicants. Members therefore opine that the Administration should study the possible impacts of the policies on community development and family relations.

72. Members have also expressed the view that the Administration should not target at a handful of well-off tenants. Instead, it should analyze the housing needs of such tenants and formulate measures that would facilitate their upward mobility along the housing ladder, such as encouraging them to purchase HOS flats or private residential flats, so that more PRH units would be released for re-allocation. There is also the suggestion that the Administration should consider re-launching the Tenants Purchase Scheme ("TPS")⁸ to enable sitting PRH tenants to buy their units.

73. On the other hand, a few members support that the Well-off Tenants Policies should be maintained for the sake of fairness in the allocation of PRH resources to the needy. Noting that there are some well-off tenants who can well afford private housing, these members opine that the income and asset limits under the Well-off Tenants Policies should be further tightened to safeguard rational allocation of public housing resources and curb tenancy abuse.

⁸ TPS was launched in 1998 to enable sitting PRH tenants to buy their units at a significant discount to market prices. 39 PRH estates had been designated as TPS estates by 2006 when the Scheme was halted.

Overcrowding relief arrangements

74. The Subcommittee notes that under the prevailing allocation policy, the Housing Department arranges allocation of flats of an appropriate size to PRH applicants according to their family sizes and the prescribed allocation standards. Households are defined as overcrowded families if the internal floor area ("IFA") in the flats is less than 5.5 m² per person subsequent to addition of family members due to marriage, new born or family members settling in Hong Kong.

75. Members have commented that the congested living environment of PRH tenants is due to the fundamental problem of inadequate housing supply. They have requested the Administration to consider relaxing the existing standard of 5.5 m² IFA per person for relieving overcrowded PRH households, which was established many years ago.

Increasing housing land supply

76. To increase the supply of public housing in the long run, it is of utmost importance that there is sufficient supply of housing land. The Administration has briefed the Subcommittee on the latest progress of its initiatives to increase housing land supply. In gist, the various initiatives are as follows –

- (a) General review of plot ratio and building height restrictions
 - (i) increasing development density
 - (ii) relaxing or lifting the Pok Fu Lam and Mid-Levels moratorium
- (b) Land use review/studies
 - (i) review of Government, Institution or Community sites ("G/IC")
 - (ii) review of Green Belt sites
 - (iii) review of industrial sites
 - (iv) conversion of vacant school premises ("VSPs") for residential use
- (c) Redevelopment of aged PRH estates
- (d) Reclamation and rock caverns development
- (e) Major development areas
 - (i) New Development Areas ("NDAs")
 - (ii) developing the New Territories North
 - (iii) review of deserted agricultural land in North District and Yuen Long
 - (iv) development of Lantau Island – Tung Chung New Town Extension
- (f) Planning and lease modification issues
 - (i) expediting the implementation of approved projects and streamlining land administration

- (ii) development of former diamond hill squatter areas and quarry sites
- (g) Other sources of housing land
 - (i) development of the West Rail Kam Sheung Road Station, Pat Heung Maintenance Depot and the adjoining areas
 - (ii) urban renewal projects

Supply of land and public rental housing production

77. The Subcommittee is concerned about the supply of sufficient land for PRH development in Hong Kong. In response, the Administration has advised that the short to medium-term initiatives as set out in the 2013 Policy Address to increase housing land supply would make available about 309 hectares of land for residential use, providing at least some 128 700 units based on known developments. Regarding PRH, the Administration has secured land for the development of the 79 000 new PRH units for the five-year period from 2012-2013 to 2016-2017 according to HA's Public Housing Construction Programme. Relevant bureaux and departments including the Development Bureau, the Transport and Housing Bureau, the Planning Department ("PlanD") and the Lands Department have been working closely to ensure the timely delivery of the 100 000 new PRH units in the next five-year period from 2018 onwards.

Land use reviews/studies

78. Noting that PlanD has completed a round of review of sites zoned G/IC and other government sites, the Subcommittee has proposed that the Administration should consider introducing a mix of compatible land uses for those sites since mixed use developments can help create diversity and optimize land resources in the otherwise monotonous urban areas with only single-purpose developments.

79. As quite a number of sites covering a total land area of about 700 hectares have been zoned "Comprehensive Development Area" for years but have yet to be developed, members have urged the Administration to expeditiously initiate or facilitate land development in such sites for the optimization of land resources, thereby meeting the housing and other needs of Hong Kong people.

Conversion of vacant school premises and other suitable sites for residential use

80. Members have commented that the initiative of converting VSPs for residential use is not cost-effective as most of the premises are relatively small and have limited scope for development. The Administration should carefully assess the viability of the initiative, in particular the flat production capacity of individual VSPs concerned. The rezoning of VSPs should encompass suitable sites nearby in order to increase the area of developable land.

81. Noting that quite a number of traditional wet markets located in older PRH estates are left vacant or have low occupancy rates, members have urged the Administration to explore alternative uses of vacant market facilities to enhance utilization of land, e.g. converting them into residential flats to offer local rehousing to sitting tenants affected by the redevelopment of PRH estates. There is also the proposal that consideration should be given to converting recreational sites with low utilization rate for residential development.

Redevelopment of aged public rental housing estates

82. Referring to HA's initiative to examine the redevelopment potential of existing aged PRH estates, the Subcommittee has expressed support to such initiative as the valuable land resources can be better utilized and more PRH units can be provided upon redevelopment. On the other hand, some members have criticized the Administration for using the land released by the demolition of PRH estates, such as the former Valley Road Estate, for private residential development instead of constructing public housing.

83. Members have also enquired if the Administration has any plan to encourage HS to redevelop its older rental housing estates to optimize their development potential. The Administration has advised that HS would review the redevelopment priority of its rental estates and the future redevelopment plan from time to time. The redevelopment of Ming Wah Dai Ha ("MWDH") in Shau Kei Wan is an example. HA has been in discussion with HS to facilitate the redevelopment of its housing estates. In this connection, members opine that the Administration should make reference to the redevelopment of MWDH, for which a priority programme has been worked out to offer local rehousing to affected tenants before the commencement of redevelopment. This can ensure the smoothness of the redevelopment process.

New Development Areas

84. The Subcommittee notes that NDAs are a major source of land supply to meet the long term housing needs. Two planning and engineering studies on the North East New Territories ("NENT") NDAs and Hung Shui Kiu NDA are in progress.

85. Members have stressed the importance of strengthening the ties with the local communities and promote greater public involvement in the planning process. They suggest that the Administration should proactively engage the public, including local residents and stakeholders, in the planning of Hung Shui Kiu NDA before formulating a Preliminary Outline Development Plan, so as to prevent the situation where conflicts emerge when the project is at an advanced stage and considerable resources and time have already been spent. Besides,

members are of the view that in considering whether or not to increase the plot ratio of a site within NDAs, the Administration should be mindful of the need to preserve the local and rural characteristics of respective NDAs.

Lease modifications/land exchanges

86. Noting that lease modification/land exchange is one of the sources of private housing land supply, the Subcommittee is concerned about the lengthy lease modification process which may adversely affect private property developers' incentive to undertake new development projects. The Administration has been urged to examine how the existing procedures and time for processing applications for lease modifications/land exchanges can be shortened and streamlined. There is also the suggestion that the Administration should proactively encourage private property developers to speed up their housing development projects by way of lease modification/land exchange with a view to increasing the supply of private residential flats.

87. Referring to the dissenting views from the local communities about land resumption and change of land use relating to the NENT NDAs, some members have expressed concern that the Administration may meet a tremendous tide of objection if more stringent requirements for processing applications for lease modification and land exchange are to be imposed on private landowners whose land would be resumed for development. These members have proposed that the Administration should make reference to the approach adopted in the past in developing new towns, whereby landowners in the New Territories whose land parcels were required for development would be issued with Letters A/B and entitled to exchange for building land at a fixed ratio as an alternative to cash compensation.

Introduction of vacant property tax

88. Noting that there were 38 860 vacant small/medium-sized flats at the end of 2012, members have requested the Administration to consider introducing a "vacant property tax" to discourage flat hoarding, thereby increasing the supply of residential flats in the property market.

Part II : Deliberations on the Long Term Housing Strategy Consultation Document and the Report on Public Consultation

89. On 3 September 2013, the Steering Committee issued the Consultation Document for three months' public consultation. The Subcommittee discussed the Consultation Document on 27 September 2013 and received views from the public on 11 November 2013. The public consultation period ended on 2 December 2013 and the Steering Committee submitted its report on the public

consultation ("the Report") to the Government for consideration on 17 February 2014. The Subcommittee was briefed on the key points of the Report at its meeting on 14 March 2014. The Subcommittee's views and concerns on the issues covered in the Consultation Document and the Report are set out below.

Long Term Housing Strategy Consultation Document

90. The key messages and recommendations in the Consultation Document are as follows –

- (a) the Government should enhance its role in the provision of housing in order to resolve the problem of supply-demand imbalance. The future housing strategy should be supply-led;
- (b) the total housing supply target for the next 10 years (i.e. from 2013-2014 to 2022-2023) should range from 440 000 units to 500 000 units, with a proposed supply target of 470 000 units;
- (c) the public/private split for the new housing supply target for the next 10 years should be 60:40 (public housing includes both PRH and subsidized sale flats). There is also a need for an increase in the supply of HOS flats above the number which the Government has pledged;
- (d) low-income elderly and low-income families on the WL should be given priority for PRH and the AWT target of about three years for general applicants on the WL for PRH should be maintained. Consideration should be given to refining QPS by progressively reducing the waiting time for those non-elderly one-person applicants above the age of 35. The feasibility of building dedicated PRH blocks for singletons at suitable fill-in sites within existing PRH estates should also be explored;
- (e) the Government should step up its enforcement actions to eradicate SDUs which are illegal and in breach of building and fire safety regulations, and to consider introducing a licensing or landlord registration system to better regulate the safety and hygiene conditions of SDUs in residential and composite buildings. At the same time, the feasibility of providing special transitional housing on temporarily vacant Government owned sites should also be explored;

- (f) an effective housing ladder should be established and the supply of HOS flats should be increased with a view to assisting the younger generation to purchase flats according to their own affordability;
- (g) as regards the calls to provide rent assistance to the grassroots and to implement rental control (including rent control), the Steering Committee is concerned that such measures would be counter-productive under a tight supply market situation, as any rent subsidy provided by the Government would most likely lead to upward pressure on rental levels. The suggestion to re-launch the "Home Starter Loan Scheme" is also considered inappropriate under the current acute housing supply situation lest flat prices will be pushed up;
- (h) the various procedures and approval requirements in relation to planning and land administration should be reviewed in order to speed up the release of land resources to meet the urgent need for a substantial increase in housing; and to strike a balance between development and a sustainable environment in accordance with the community's consensus; and
- (i) future new towns should be developed as self-sustained communities in an "integrated" manner. In the long run, the average living space should be progressively increased, perhaps starting with PRH in non-urban districts.

Long Term Housing Strategy Report on Public Consultation

91. As stated in the Report, the views collected during the public consultation period indicate that there is wide public support on the following issues –

- (a) a supply-led strategy with public housing accounting for a higher proportion of the new housing production;
- (b) the long term housing supply target of 470 000 units for the coming 10 years, with public housing making up a higher proportion of at least 60% of the new housing production;
- (c) higher priority should be accorded to addressing the housing needs of IHHs;
- (d) building more flats under HOS to meet the home ownership aspirations of youngsters and first-time home buyers;

- (e) the AWT for PRH for general applicants on the WL should be maintained at about three years, and that more should be done to ensure the rational use of precious PRH resources; and
- (f) there should be more private sector participation in the provision of subsidized housing. Further efforts should be made by the Government to facilitate housing development, both in terms of streamlining the housing development processes and strengthening manpower resources in the construction industry.

92. On the other hand, the public have expressed divergent views on a number of issues, including the introduction of a licensing or a landlord registration system for SDUs; and the reinstatement of some form of rental control (including control on rent and the security of tenure). In view of the public sentiment, the Steering Committee considers that the Government needs to consider carefully whether a licensing or a landlord registration system for SDUs should be pursued. The Steering Committee also cautions the Government that clear community consensus has to be secured before any form of rental control is contemplated.

Total housing supply target and public/private housing ratio

93. Given that Hong Kong is confronted by acute housing problems characterized by severe supply-demand imbalance for both public and private housing and the prevalence of SDUs, members generally take the view that provision of more public housing is the ultimate solution to the housing problems.

94. On the total housing supply target and the public/private housing ratio, some members have criticized that the target of 470 000 units for the next 10 years is relatively low and the public/private split of 60:40 for the new housing supply are not commensurate with the demographic changes in recent years, in particular the increase in total population and the number of households. While Hong Kong has been facing tight housing supply, the housing demand projection figures in the Consultation Document are even lower than those in previous LTHS studies. These members are of the view that the future housing supply target is far from adequate to meet the housing demand of the community. Some members have suggested that the total housing supply target should be increased to 550 000 units, with private and public housing accounting for 200 000 units and 350 000 units respectively.

95. Members are also concerned that the increase in household income is not commensurate with the surge in property prices and the affordability ratio (i.e. the ratio of mortgage payment to income) has deteriorated. As about 70% of the households in Hong Kong are eligible for public housing (including both

PRH and HOS units), they doubt if the future public housing production target can fulfill the vision of providing adequate and affordable housing to these households.

96. Regarding the public/private housing ratio, some members support that the public housing proportion should be increased to 70%, i.e. a public/private ratio of 70:30. The ratio should be adjusted flexibly to cater for changes in circumstances. They also opine that the Administration should substantially increase PRH supply in urban areas as many PRH applicants wish to live in urban districts which are convenient for them to travel to/from work or study.

97. On the other hand, some other members support the adoption of the supply-led strategy and the ratio of 60:40 as the public-private split for the new housing supply. However, they are concerned about the supply of private housing which is at the sole discretion of private developers who would adjust their marketing strategies according to market situation and commercial consideration. There may not be sufficient private housing supply to meet the total supply target. Members have reiterated their proposal for the Administration to consider introducing a "vacant property tax" to discourage flat hoarding, thereby increasing the supply of residential flats in the property market.

98. The Administration has responded that as recommended by the Steering Committee, the Government would take the lead in increasing public housing supply to tackle the supply-demand imbalance. Regarding private housing, it is estimated that there would be a supply of about 71 000 new residential flats in the coming three to four years. The Administration would closely monitor the private housing supply target on one hand and pay due regard to the importance of ensuring the stable and healthy development of the private residential market on the other. The total housing supply target would be reviewed on an annual basis to take into account any changes in policy and/or prevailing circumstances, including changes in the property market.

99. Members have further expressed concern as to whether the Administration can achieve the supply target of 470 000 units, given that there have been objections to new PRH projects from local communities on the grounds of a high concentration of public developments and inadequate community facilities in the districts concerned. The Kwai Tsing District Council's recent objection to the construction of new PRH blocks in the district is a case in point. The Administration has responded that it would spare no effort in achieving the supply target and liaising closely with District Councils and local communities to solicit their support for PRH development, and would ensure the provision of adequate ancillary facilities for new PRH estates.

Supply of Home Ownership Scheme flats

100. Members are of the view that the target of producing about 5 000 HOS flats per year is inadequate given the overwhelming demand for public housing. The Administration should strive to build more HOS flats beyond the level that it has already pledged as this would be conducive to establishing a progressive housing ladder, meeting the growing home ownership aspirations of the low to middle-income families and providing an avenue for better-off PRH tenants to buy their own homes, thus releasing valuable PRH resources to help those in need. While the Steering Committee has not recommended any split between PRH and HOS units within the public housing portion of the total supply target, some members have proposed a distribution of 140 000 PRH units and 140 000 HOS flats (i.e. a ratio of 1:1). Consideration should also be given to lowering the selling prices of HOS flats to attract PRH tenants to make a purchase, such as setting the prices at 50% of the market value of the flats.

101. Some members have requested the Administration to maintain interchangeability between PRH and HOS production such that the proportion of PRH and HOS can be adjusted flexibly in response to the latest market situation.

102. Noting the Steering Committee's recommendation that the Government should play a more active role to increase the supply of public housing (comprising PRH and subsidized sale flats), some other members have requested the Administration to set a waiting time target for HOS applicants, similar to the one for PRH allocation, to underline the Government's determination to provide adequate and affordable housing to each and every household in Hong Kong.

Waiting time for public rental housing

103. Members are concerned about the long WL for PRH, with 118 700 general applicants on the WL and 115 600 non-elderly one-person applicants under QPS as at end June 2013. They doubt the Administration's ability to fulfill its pledge of maintaining the AWT for general applicants on the WL at about three years, given such a large number of PRH applicants.

104. The Administration has stressed that the pledge of maintaining the AWT for general applicants on WL at around three years could still be achieved as at June 2013. As the AWT target underlines the Administration's determination to provide affordable rental housing to the grassroots, the Steering Committee has recommended that the Administration should strive to maintain the target, despite the possibility of occasional departure from it.

105. Some members have proposed the implementation of administrative measures to shorten the waiting time for PRH. For example, PRH applicants can be allowed to indicate the district within the four designated WL Districts which they wish to be allocated a PRH unit so that the first offer of PRH units can be made more closely according to individual applicants' geographical preference, thereby incentivizing PRH applicants to accept the first flat offer instead of awaiting subsequent offers.

106. Taking into consideration that some PRH applicants may be unwilling to move into PRH estates located in remote areas, other members have suggested the introduction of a "monthly ticket scheme" for all types of public transport, so as to alleviate the burden of travelling expenses on tenants of remote PRH estates.

Introducing a licensing or landlord registration system for subdivided units

107. Members do not support the proposal of introducing a licensing or landlord registration system for SDUs in residential and composite buildings and consider such a system not feasible. They opine that the Administration should step up enforcement actions against SDUs located in industrial buildings as such buildings are neither designed nor suitable for residential use. The use of an industrial unit for domestic purpose would pose high risk to the occupants.

108. In addition, members are of the strong view that even if the Administration cannot eradicate all SDUs within a short period of time, the safety conditions of such units should under no circumstances be compromised.

Re-establishment of a progressive housing ladder

109. Members take the view that the Administration should proactively address the housing needs of young people by building a progressive housing ladder through reviewing PRH-related policies (e.g. the Well-off Tenants Policies) and re-launching different housing schemes, including TPS and the Home Starter Loan Scheme.

110. Besides, some members have suggested that to meet the housing demand of the public, a development strategy which aims primarily at the provisions of PRH units to be supplemented by HOS flats should be adopted. The ratio of public housing should be further increased so that more PRH and subsidized sale flats would be built. It is also proposed that in re-establishing an appropriate and progressive housing ladder with PRH as the foundation and subsidized flats on top of PRH, the Administration should consider subdividing the housing ladder into sub-levels to facilitate upward mobility of the public. For example, the Administration should work with HS to re-introduce Group B rental housing estates, which are commonly known as "public housing for the

middle-class" and have slightly higher income and asset limits, to relieve the housing pressure on the sandwich class. The Administration should also study whether the pricing of HOS flats can be unpegged with the market price so as to lower their selling prices.

The "Well-off Tenants Policies"

111. Members have reiterated their concerns that the "Well-off Tenants Policies" cannot resolve the problem of inadequate supply of PRH units, but have driven young people to move out from their parents' PRH units and register as non-elderly one-person applicants under QPS for PRH allocation. They urge the Administration to review the "Well-off Tenants Policies" as well as to consider providing incentives to encourage better-off PRH tenants to purchase HOS flats such that more PRH units would be released for re-allocation. For example, PRH tenants can be given priority in HOS flat selection and a certain proportion of HOS flats can be reserved for them in each sales exercise. Consideration should also be given to allowing grown-up children of sitting tenants to be added to the tenancy so that they would not be discouraged from living in their parents' PRH units and register on WL for PRH, leading to an upsurge in the number of PRH applicants.

Rent subsidy and rental control

112. Members have strongly urged for the reinstatement of rental control to curb the undue rent hikes. In implementing rental control, there can be appropriate refinements to the rental control measures to suit the prevailing circumstances. They have criticized the Administration for refusing to give consideration to their proposal.

113. Members have further requested the Administration to provide rent subsidy to households on the WL awaiting PRH as the current high level of rents goes beyond the affordability of the grassroots. Consideration should also be given to introducing a new tax allowance for renting private residential units so that private flat tenants could enjoy tax concessions.

114. The Administration has advised that although rental control may appear to be able to limit rent increase, it shares the Steering Committee's concerns about the consequences of reinstating rental control. Landlords may ask for a higher rent upfront when a tenancy agreement is first made with a new tenant in order to mitigate the impact of rent control upon tenancy renewal. As such, instead of benefiting tenants, rental control can in fact be counter-productive. Given that there are divergent views on rental control in the community, the Administration would examine the subject further and provide findings on the implications of reinstating rental control.

115. In response, some members have proposed the Administration to consider making use of tax incentives to encourage flat owners to let out their flats, so as to alleviate the impact of rental control on the supply of rental flats.

Development of new towns

116. Members opine that to meet Hong Kong's long term housing demand, the Administration should proactively develop new towns which not only will provide a large number of residential units but also accommodate the social, economic and development needs of Hong Kong. When developing new areas, the Administration should present the project proposals to be implemented in the same district in a package so that relevant District Councils and local residents will have a better understanding of the future development of their districts. The Administration should also ensure the balanced provision of ancillary and community facilities to meet the community needs.

Redevelopment

117. Members generally consider the redevelopment of aged PRH estates effective in increasing PRH supply and urge for expeditious redevelopment of aged PRH estates in urban areas. Some members suggest that the redevelopment of aged PRH estates should be district-based, taking into account the development and planning of individual districts. These members have further pointed out that there are suitable rehousing resources in some older urban districts, such as Sham Shui Po, Kowloon City and Kwun Tong, and requested the Administration to expeditiously conduct planning on the redevelopment of these areas.

118. On the other hand, some members do not support redeveloping aged PRH estates hastily. They opine that the Administration should exercise caution in considering whether or not to redevelop aged PRH estates as PRH redevelopment involves complicated issues that require thorough consideration. It is also not cost-effective to redevelop aged PRH estates at present when the construction cost is high.

119. Some other members have suggested that consideration should be given to using the vacated flats pending redevelopment by URA or HA as transitional housing for IHHs, including those living in SDUs. The Administration has responded that if suitable housing sites are identified, it would earmark the sites for permanent public housing development instead of transitional accommodation, given that the former is the ultimate solution to different housing problems. It may also not be practicable to use PRH estates pending redevelopment as transitional housing for PRH applicants as most of the affected residents living in PRH estates to be redeveloped would choose not to vacate their units until the very last minute before the redevelopment process

commences.

120. In addition, the Administration has been requested to consider carrying out redevelopment programmes in the older urban areas of the territory to reap development potential. For instance, consideration should be given to launching redevelopment programmes for buildings developed under the Civil Servants Co-operative Building Society Scheme, with a view to increasing land supply in urban areas.

Manpower resources of the construction industry

121. Members are concerned about the tight manpower situation of the construction industry and requested the Administration to address the problem by, for example, enhancing training for construction personnel so as to attract more people to join the industry and, in turn, speed up the housing supply process. At the same time, the Administration is urged to uphold the principle of not affecting the employment of local construction workers when considering whether to import skilled labour to Hong Kong under the "Supplementary Labour Scheme" to meet the increasing manpower demand of the construction industry.

Financial position of the Housing Authority

122. Some members have expressed concern about the financial position of HA, given that a significant increase in PRH and HOS production in the coming years would inevitably require additional financial commitment from HA. In response, the Administration has acknowledged that housing development requires a huge amount of investment. As HA builds more subsidized flats amid rising construction costs, its reserves would be diminishing. HA has notified the Financial Secretary of its financial position and would work closely with the Government to ensure that HA would have the necessary resources to implement the ambitious programme of constructing 280 000 public housing units in the coming 10 years.

Other views and concerns

123. Members have expressed concern about the challenges of an aging population in Hong Kong. Given that the population policy straddles a number of policy areas, with housing being one of them, members opine that the Administration should take into account the demographic and socio-economic characteristics of the population when formulating future housing strategies.

124. Noting that many pieces of agricultural land in the New Territories have been left idle after acquisition by property developers and some agricultural land has become container yards or vehicle parks, some members urge the

Administration to review the deserted agricultural land in the New Territories to ascertain the feasibility of using such land for residential development. Consideration should also be given to resuming the land from those developers who engage in the hoarding of land.

Recommendation of the Subcommittee

125. The Subcommittee strongly urges the Government to take into full consideration the views and concerns expressed by members on the various issues as set out in this Report in formulating the LTHS for the next 10 years and the relevant policy measures.

Way forward

126. The Subcommittee agreed that it should conclude its work and submit a report to the Panel. The Panel would follow up any issues in relation to the LTHS and relevant policy measures to be formulated by the Government in future, including the report on the joint operation launched by BD and FSD to inspect the common means of escapes of old-style domestic and composite buildings as mentioned on paragraph 51 above.

Advice sought

127. Members of the Panel are invited to note the work of the Subcommittee.

Appendix I

Panel on Housing

Subcommittee on the Long Term Housing Strategy

Terms of Reference

To study all relevant housing-related information and ways to increase housing supply to meet the needs of various groups in the community, and make recommendations on the Long Term Housing Strategy.

Panel on Housing

Subcommittee on the Long Term Housing Strategy

Membership list

Chairman Hon WONG Kwok-hing, BBS, MH

Deputy Chairman Hon Tony TSE Wai-chuen, BBS

Members Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung (*since 18 October 2013*)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
(*since 18 October 2013*)
Dr Hon LAM Tai-fai, SBS, JP (*up to 5 October 2013*)
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip (*since 18 October 2013*)
Hon WONG Yuk-man (*up to 18 October 2013*)
Hon WU Chi-wai, MH
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Dr Hon Fernando CHEUNG Chiu-hung
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Clerk Ms Miranda HON

Legal Adviser Miss Winnie LO

List of deputations/individuals which/who have given views to the Subcommittee on the Long Term Housing Strategy

1. Advisory Board for Ethnic Minorities Services
2. Alliance for Concerning Grassroots Housing Rights
3. Alliance for Defending Grassroots Housing Rights
4. Civic Party
5. Community Development Initiative
6. Construction Industry Council
7. Democratic Party
8. Diocesan Pastoral Centre for Workers (Kowloon)
9. Federation of Public Housing Estates
10. Fernando Cheung Chiu-hung Legislative Councilor's Office
11. Green Sense
12. Hong Kong Council of Social Service
13. Hong Kong Institute of Real Estate Administrators
14. Hong Kong Owners Club
15. Hong Kong People's Council on Housing Policy
16. HK Housing Alliance
17. Industrial Relations Institute
18. Johnny Chan Social Service
19. Justice & Peace Commission of the HK Catholic Diocese
20. Labour Party
21. Lee Cheuk-yan Legislative Councilor's Office
22. Liberal Party Housing Policy Committee
23. Liberal Party Youth Committee
24. Light Be (Social Realty) Co Ltd
25. Mr LEE Siu-wa
26. Mr TAM Kwok-sun
27. Neighbourhood & Worker's Service Centre
28. No flat slaves
29. Platform of Concerning Subdivided Flats and Issue in Hong Kong
30. Public Housing Living Quality Union
31. Royal Institute of Chartered Surveyor
32. Serving Through Intelligence
33. Shadow of LTHS Steering Committee
34. Social Ventures Hong Kong
35. Society for Community Organization
36. The Association of Consulting Engineers of Hong Kong
37. The Federation of Hong Kong and Kowloon Labour Unions
38. The Hong Kong Institute of Housing
39. The Hong Kong Institute of Planners

40. The Hong Kong Institute of Surveyors
41. Wan Chai Grassroots Housing Concern Group
42. Women Worker Cooperative
43. Young DAB
44. 工聯會社會事務委員會
45. 公屋被迫遷戶關注組
46. 中港低收入家庭互助網絡
47. 葵涌劏房住客聯盟
48. 葵涌劏房住客聯會
49. 葵涌區房屋事務關注組
50. 蝸居部落
51. 荃灣單身人士輪候公屋關注組
52. 荃灣輪候公屋超過三年居民會
53. 公屋鹹水樓再被迫遷關注組
54. 西營盤住屋權益關注組
55. 港島區住屋需要小組
56. 東區住屋組
57. 基層住屋小組
58. 觀塘無奈苦等公屋街坊會
59. 全港劏房居民大聯盟
60. 街工社區服務隊

Written submissions only

- 1 - 2. 2 members of the public (anonymous)
3. Designing Hong Kong
4. Dr YANG Mo, Southern District Council member
5. Hong Kong Construction Association
6. The Hong Kong Institution of Engineers
7. The Institution of Civil Engineers Hong Kong Association
8. The Real Estate Developers Association of Hong Kong
9. 荃灣基層唐樓居民會
10. 十二會內地來港定居婦女互助組

Subcommittee on the Long Term Housing Strategy

**Information notes prepared by the Research Office
of the Legislative Council Secretariat**

Date of meeting	Information note
20 March 2013 26 June 2013	Information note on "Housing demand in Hong Kong" (LC Paper No. IN14/12-13) http://www.legco.gov.hk/yr12-13/english/sec/library/1213in14-e.pdf
30 May 2013	Information note on "Housing Supply in Hong Kong" (LC Paper No. IN20/12-13) http://www.legco.gov.hk/yr12-13/english/sec/library/1213in20-e.pdf
30 May 2013	Information note on "Land Supply in Hong Kong" (LC Paper No. IN21/12-13) http://www.legco.gov.hk/yr12-13/english/sec/library/1213in21-e.pdf
30 May 2013 26 June 2013	Information note on "Subdivided flats in Hong Kong" (LC Paper No. IN22/12-13) http://www.legco.gov.hk/yr12-13/english/sec/library/1213in22-e.pdf
26 June 2013	Information note on "Public housing in Singapore" (LC Paper No. IN26/12-13) http://www.legco.gov.hk/yr12-13/english/sec/library/1213in26-e.pdf
27 September 2013 11 November 2013	Information note on "Long Term Housing Strategy" (LC Paper No. IN27/12-13) http://www.legco.gov.hk/yr12-13/english/sec/library/1213in27-e.pdf