

# 立法會 *Legislative Council*

LC Paper No. CB(1)884/14-15(06)

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## **Panel on Housing**

**Meeting on 1 June 2015**

### **Background brief on "Green Form Subsidised Home Ownership Pilot Scheme" prepared by the Legislative Council Secretariat**

#### **Purpose**

1. This paper provides background information on the "Green Form Subsidised Home Ownership Pilot Scheme" ("GSH") implemented by the Hong Kong Housing Authority ("HA"), and gives a brief account of the major views and concerns expressed by members of the Panel on Housing ("the Panel") when the subject was discussed in 2015.

#### **Background**

##### Proposal of GSH

2. During the public consultation on the Long Term Housing Strategy ("LTHS") in end of 2013, there were calls for relaunching of the Tenants Purchase Scheme ("TPS")<sup>1</sup> to facilitate public rental housing ("PRH") tenants to achieve home ownership. As HA indicated that it would not relaunch TPS outside the existing TPS estates in view of the problems associated with this scheme, such as

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<sup>1</sup> In the 1997-1998 Policy Address, the Government pledged that it would, within 10 years, provide the opportunity for at least 250 000 families living in PRH to buy their flats, with a view to achieving 70% home ownership by the end of 2007. To achieve this policy objective, the TPS was introduced by HA in 1998 to enable PRH tenants to buy the flats they lived in at a discounted price. In response to significant change in the property market and economic downturn following the Asian financial crisis, the Government re-positioned the housing policies in 2002, including the dropping of the target for homeownership, and withdrawal of HA from the property sale market as far as possible. HA therefore ceased the sale of PRH flats outside the existing 39 TPS estates after launching Phase 6B of TPS in August 2005.

management issues arising from co-existence of owners and tenants in TPS estates, some quarters in the community further suggested that the Government should consider providing subsidized sale flats with prices lower than those of Home Ownership Scheme ("HOS") flats. In response to the views and suggestions gauged, the Government stated in the new LTHS promulgated in December 2014 that it would consider how to further expand the forms of subsidized home ownership in the context of reinforcing the housing ladder and promoting social mobility.

3. In the 2015 Policy Address, the Chief Executive ("CE") stated that he had proposed to HA that suitable flats should be identified among its PRH developments under construction for sale to eligible Green Form ("GF")<sup>2</sup> applicants, mainly PRH tenants, in the form of a pilot scheme, with prices set at a level lower than those of HOS<sup>3</sup>. The proposal is thereafter referred to as the "Green Form Subsidised Home Ownership Pilot Scheme".

#### Implementation details

4. On 6 May 2015, the Subsidised Housing Committee ("SHC") of HA endorsed the implementation details of GSH as highlighted in the following –

##### *Eligibility*

- (a) GSH will adopt the same definition for GF applicants as for those under HOS<sup>4</sup>. Tenants allocated PRH units via the Express Flat Allocation Scheme will not be eligible for GSH within three years from the commencement of their PRH tenancies.

##### *Price setting*

- (b) The following three principles will be considered in setting GSH flat prices —
  - (i) the discount for GSH flats will be higher than that for HOS flats;

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<sup>2</sup> GF applicants are mainly PRH sitting tenants and PRH applicants who have passed the detailed eligibility vetting and are due for flat allocation in about a year's time. They are allowed to apply for HOS flats under the existing policy.

<sup>3</sup> Paragraph 67 of the 2015 Policy Address

<sup>4</sup> According to HA, the implementation details of GSH will follow those of HOS as far as possible as they are considered to be effective, widely accepted and easy to understand. It will also maintain policy consistency across different types of subsidized sale flats under HA.

- (ii) affordability of target applicants, i.e. at least 50% of the flats will be affordable to target applicants, assuming a mortgage-to-income ratio of 40% benchmarked to the household income at the eligibility limit for applying PRH for a four-person household; and
- (iii) the selling price should in general not be lower than the cost.

*Resale restrictions*

- (c) HA will not buy back GSH flats. If a GSH flat owner offers to sell his flat to HA during the first five years of the first assignment from HA, HA will exercise the power under the Housing Ordinance (Cap. 283) to nominate GF buyers. The price will be set at the original price of the GSH flat sold by HA within two years from the first assignment, and the prevailing market price of the GSH flat assessed by the Director of Housing less the original discount between the third and fifth year from the first assignment.

*Site selection*

- (d) The site should not contain public facilities that will incur very high management or maintenance fees. Conversion of a PRH site to GSH development should not result in substantive changes to the original planning. The site should preferably be a standalone site, or a site which can be easily carved out from PRH development.

5. According to HA, the timing for pre-sale of GSH flats would depend on the time needed to resolve site-specific issues of the selected sites, conduct district consultation, prepare land lease and sale-related documents, as well as the timing for other sale exercises under HA.

**Deliberations of the Panel**

6. The subject of GSH was discussed at the Panel meeting on 2 February 2015 when members deliberated on the housing-related initiatives in the 2015 Policy Address. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

## Consultation on GSH

7. Some members criticized CE for failing to consult the LTHS Steering Committee, the Panel and the general public prior to taking forward GSH which was an important housing measure, and called on the Administration to shelve the scheme. Some other members however expressed support for GSH as it would not give rise to problems in the estate management of unsold/residual flats under the scheme as in the case of TPS. The Administration stressed that the GSH initiative had taken into account the views gauged during the LTHS public consultation that the Government should provide PRH tenants opportunities for subsidized home ownership other than HOS, as well as the views of HA members.

## Impact on PRH supply and circulation

8. Some members considered GSH against the purpose of PRH to provide subsidized rental housing to low-income families to meet their basic housing needs. They expressed concern that GSH would in effect reduce the supply of subsidized rental units if PRH sites were converted to GSH developments. This would add further pressure on HA's target to maintain the average waiting time at around three years for PRH flat allocation. Besides, PRH circulation might be affected as a lead time was required for sitting tenants to go through the formalities to dispose of their existing PRH premises before acquiring the new one under GSH. There were also views that the Government should supply more HOS flats rather than introducing GSH.

9. The Administration explained that GSH would not reduce the supply of PRH. Based on the "one-for-one" concept, for every flat sold under GSH to an applicant being a PRH sitting tenant, the existing PRH flat occupied by the tenant would then be released for those awaiting PRH allocation. As regards the timing of re-allocation of the released PRH flats, the Administration advised that it would take about ten weeks to renovate the flats before re-allocation.

## Eligibility

10. Some members raised concern that allowing sitting tenants of PRH to take part in GSH would mean double benefits to these applicants. They also queried the rationale for extending GSH to cover eligible PRH applicants as these people were deemed to be unable to afford to buy their own homes. The Administration advised that it was already an existing policy that subsidized sale flats could be sold to households with GF status which included sitting PRH tenants and PRH applicants who had undergone detailed eligibility vetting and were due for flat allocation within one year.

### Price setting mechanism and resale restrictions

11. There was a suggestion from some members that a two-tier pricing scheme should be introduced for subsidized sale ownership, under which GSH would provide subsidized sale flats at a price level lower than other subsidized sale flats. In view of the soaring prices of subsidized sale units in recent years, some members were worried about the difficulties for eligible PRH households to buy a flat under GSH even at a 50% discount of the prevailing market price. Members also requested HA to set out clearly the resale restrictions of GSH and put in place measures to avoid speculative trading of GSH flats.

12. The Administration pointed out that the pilot scheme of GSH would target at GF applicants which included existing PRH tenants whose financial position might have improved over time. The setting of GSH flat prices would take into account buyers' affordability and policy consistency among all subsidized home ownership schemes.

### **Council question**

13. At the Council meeting on 15 April 2015, Hon Paul TSE raised a question relating to GSH. Issues covered in the question included the timing of making available GSH flats for sale and resale restrictions. The question and the Administration's reply are hyperlinked in the **Appendix**.

### **Recent development**

14. The Administration will brief members on the implementation of GSH at the Panel meeting on 1 June 2015.

### **Relevant papers**

15. A list of relevant papers is in the **Appendix**.

## Green Form Subsidised Home Ownership Pilot Scheme

## List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	2 February 2015	Administration's paper on "Housing-related initiatives in the 2015 Policy Address and Policy Agenda" (LC Paper No. <a href="#">CB(1)437/14-15(01)</a> )  Minutes of meeting (LC Paper No. <a href="#">CB(1)693/14-15</a> )

## Hyperlink to relevant Council Question:

Date	Council Question
15 April 2015	Council question raised by Hon Paul TSE <a href="http://www.info.gov.hk/gia/general/201504/15/P201504150367.htm">http://www.info.gov.hk/gia/general/201504/15/P201504150367.htm</a>