

Legislative Council Panel on Housing
Supplementary Information

Purpose

Regarding the motions passed and the follow-up actions requested on the Long Term Housing Strategy (LTHS) at the Legislative Council Panel on Housing meeting on 7 January 2019, having consulted the Development Bureau, this paper provides the relevant response.

Follow-up action

(a) the total area of land required for providing the housing units mentioned in paragraph 22 (a) and (b) of LC Paper No. CB(1)388/18-19(03)

2. The total area of the some 210 sites with housing development potential in the short to medium term identified under the land use review is about 500 hectares, whereas the overall development area of the four New Development Areas (NDAs) and new town extension projects (including Tung Chung New Town Extension, Kwu Tung North/Fanling North NDA, Hung Shui Kiu/Ha Tsuen NDA and Yuen Long South development) is about 1 142 hectares.

(b) figures on the new housing supply/production in the five-year period from 2023-2024 to 2027-2028

3. For projects with completion dates scheduled for 2023-24 and beyond, they are mostly at the preliminary planning and design stage and are subject to various factors such as rezoning, consultation with local communities, infrastructure construction and site formation works, etc. Moreover, in many cases, the project sites are still subject to technical studies or investigation. Some of the sites also involve land resumption, clearance, or reprovisioning of affected facilities. For projects involving Government-funded works, funding approval from the Legislative Council is also required. As these projects are subject to changes, we are unable to provide detailed information and programme at this stage. Nonetheless, timely information will be provided in the rolling production programme.

(c) reason for the increase in the projected housing demand under the category "Miscellaneous factors" (including private permanent living quarters occupied by households with mobile residents, non-local students who might take up accommodation in Hong Kong, as well as non-local buyers who took up flats without selling or leasing them) from about 17.3% of the private housing supply target of 180 000 housing units for the period from 2018-2019 to 2027-2028 to about 22.4% of the private housing supply target of 135 000 housing units for the period from 2019-2020 to 2028-2029 (notwithstanding the drop from 31 200 to 30 200 in absolute terms for the two respective periods), and whether the increase reflected the Government's motive, if any, to maintain a higher proportion of new private housing supply for meeting non-local demand.

4. The vision of the LTHS is to **help all households in Hong Kong gain access to adequate and affordable housing**. During the Government's formulation of the LTHS, it considered that there might also be demands which were not covered in the Census and Statistics Department's domestic household projections. Therefore, the component of "miscellaneous factors" was added to cover such demands in the projection. "Miscellaneous factors" include the following housing demands, where not all of them come from non-local residents. According to the latest relevant data in the LTHS Annual Progress Report 2018, the annual housing demands arose from "miscellaneous factors" are as follows (figures in brackets below refer to the annual housing demand listed in the annex to the LTHS Annual Progress Report 2018) –

- (a) private permanent living quarters occupied by households with mobile residents only. Such residents refer to **Hong Kong permanent residents** who have stayed in Hong Kong for at least one month but less than three months during the six months before or after the reference time-point, regardless of whether they are in Hong Kong or not at the reference time-point (about 700 units);
- (b) **non-local students** who may take up accommodation in Hong Kong (about 610 units); and
- (c) **non-local** buyers who may purchase flats without channelling them back to the market (i.e. not selling or leasing out their units) (about 1 710 units).

5. Assuming that the above past trends will continue in the next 10 years, the estimated additional housing demand arising from “miscellaneous factors” is 3 020 units per year, or 30 200 units over the 10-year period from 2019-20 to 2028-29. There is only a small difference between the above estimate and that announced in 2017 (31 200 units).

6. The Government does not maintain a higher proportion of new private housing supply for meeting non-local demand. As pointed out in the LTHS Annual Progress Report 2018, the private housing supply target is derived by multiplying the total housing supply target for the 10-year period by the public/private split of new housing supply (i.e. 450 000 units x 30% = 135 000 units); taking into account the housing demand arising from multiple factors, including the aforementioned “miscellaneous factors”.

Motions passed¹

(a) This Panel requests that among the proposed proportion of 70% for public housing in the new housing supply as recently announced by the Government in the Long Term Housing Strategy, 60% should be public rental housing.

Housing Supply Target

7. According to the LTHS promulgated in December 2014, the Government updates the long term housing demand projection annually and presents a rolling 10-year housing supply target to capture social, economic and market changes over time, and make timely adjustments where necessary.

8. As pointed out in the LTHS Annual Progress Report 2018 published in December 2018, the total housing supply target for the 10-year period from 2019-20 to 2028-29 is 450 000 units. The Government has revised the public/private split of new housing supply from 60:40 to 70:30. Hence, for the above 10-year period, the public housing supply target is 315 000 units, whereas the private housing supply target is 135 000 units.

¹ LC Paper No. CB(1)436/18-19(01) to (05)

9. Among the above-mentioned public housing supply target of 315 000 units, the supply target for “public rental housing (PRH)/Green Form Subsidised Home Ownership Scheme (GSH)” is 220 000 units, whereas the supply target for “other subsidised sale flats (SSFs)” is 95 000 units. In the past, the split between PRH and SSFs under the LTHS had not been presented as ratios; but if it were, the above supply target for “PRH/GSH” in the past would constitute about 70% of the public housing supply target.

10. As regards projects to be planned for GSH in the future, the Government pointed out in the LTHS that given the unique nature of SSFs as a buffer between PRH and private housing, the Hong Kong Housing Authority (HA) needs to maintain inter-changeability between PRH and SSFs, and adjust their supply in a timely manner to better address changes in market situations and the housing needs of the community.

11. Based on the concept of inter-changeability, the Government will strive to maintain the flexibility of different types of public housing, so as to meet the demand for PRH, GSH and other SSFs. As regards the number of GSH flats to be put up for sale each year, when HA decided to regularise GSH in January 2018, HA considered it prudent to implement GSH at a more modest pace to gather experience, in order to reduce the risk of over-supply and minimise impact on the waiting time of PRH applicants. In line with this incremental approach and the previous positive response to GSH, the Strategic Planning Committee of HA decided at its meeting on 4 March 2019 to convert the two PRH developments at Chai Wan Road, Chai Wan and Tsing Hung Road, Tsing Yi (now known as Tsing Yi Road) respectively for sale as GSH at the end of this year. HA will continue with this incremental approach, take account of operational experience and sales response, and consider the suitability of PRH developments for conversion to GSH projects each year.

(b) According to the Long Term Housing Strategy Annual Progress Report 2018, the private housing supply target for the next ten years will be reduced to 135 000 units as a result of revising the public/private split to 7:3, but the projected figures with respect to "miscellaneous factors", which reflect non-local housing demands, still stand at as high as 30 200 units for the next ten years, i.e. up to 22.4% of the housing units under the private housing supply target will be used for meeting non-local housing demands, representing an increase of five percentage points as compared to last year. Hence, in this connection, this Panel requests the Government to conduct studies on the "purchase restriction order", under which the purchase of and investment in properties by people from outside Hong Kong will be

restricted, while non-local individual and company buyers are required to sell or rent out their first-hand residential properties within a certain period of time after purchasing the properties concerned; as well as to prohibit non-local residents and companies from purchasing and holding second-hand residential properties.

Demand-side management measures

12. Paragraph 4-6 above explained how the housing demands arise from the “miscellaneous factors” and the fact that not all these housing demands come from non-local residents. As for demand-side management measures, to address the overheated property market, the Government has introduced several rounds of demand-side management measures since 2010, among them were the Buyer’s Stamp Duty (BSD) introduced in October 2012 and the New Residential Stamp Duty (NRSD) introduced in November 2016. With these measures, acquisition of local residential properties (regardless of whether they are first-hand or second-hand) by non-Hong Kong permanent residents (including all companies) is subject to BSD and NRSD (both at a flat rate of 15%), i.e. a stamp duty of 30% in aggregate.

13. The demand-side management measures remain effective in managing external demand. According to statistics of the Inland Revenue Department, purchases by non-local individuals and non-local companies only constituted 0.9% of total residential transactions in the first three quarters in 2019, lower than that of 4.5% in January to October 2012 (before the introduction of BSD).

14. The Government has no intention to manage external demand by ways other than the demand-side management measures at this stage. The Government will continue to stay vigilant and closely monitor market movements in order to ensure healthy development of the residential property market.

(c) This Panel urges the Administration and the Hong Kong Housing Authority to formulate and roll out territory-wide redevelopment projects on old public housing estates, with priorities accorded to aged housing estates which are 30 years old or above and have the problems of unsatisfactory building conditions, dilapidated community facilities, failure to fully utilize the plot ratio, etc. (such as Wo Lok Estate in Kwun Tong and Kwai Shing West Estate in Kwai Chung), and adjust upward the plot ratio as appropriate with a view to further increasing public housing supply and improving the living environment of residents of old housing estates.

Redevelopment projects of aged PRH estates

15. LTHS has explained that while redevelopment may increase PRH supply over the long term, it will, in the short term, reduce PRH stock available for allocation. This will inevitably add further pressure on HA's ability in maintaining the Average Waiting Time target at about three years. The net gain in flat supply from redevelopment will take a long time to realize, very often towards the latter if not the last phase of the redevelopment. With the current strong demand for PRH, it is not advisable to carry out any massive redevelopment programme which will result in freezing a large number of PRH units that may otherwise be allocated to households in need of PRH. Hence, redevelopment could at best serve as a supplementary source of PRH supply. HA needs to be very cautious in considering redevelopment of individual aged PRH estates.

16. Based on the direction of LTHS, HA will continue to prudently consider redevelopment of individual aged PRH estates by taking into account the actual circumstances, with reference to four basic principles, namely, structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment.

17. At present, HA's redevelopment plan includes Pak Tin Estate redevelopment (older portion) announced in 2012 and Mei Tung Estate redevelopment (older portion) announced in 2017. Also, the Government has announced the redevelopment intention of Wah Fu Estate in 2014. For aged estates with no redevelopment plan, HA will continue to implement various programmes and measures to upkeep and improve the building conditions, and provide tenants with a safe and suitable living environment. These include the Comprehensive Structural Investigation Programme, the Estate Improvement Programme, the Total Maintenance Scheme, provision of barrier-free accesses, and lift modernization works.

(d) As the supply of public housing, in particular public rental housing, in Hong Kong will consistently fall short of the target under the Long Term Housing Strategy at least in the next five years, this Panel urges the authorities to formally include transitional housing in the Long Term Housing Strategy and set a supply target for transitional housing, the production of which should be taken charge of by the Government/Hong Kong Housing Authority, so as to rehouse the 90 000 households living in sub-divided units; at the same time, the use of idle government sites or

facilities, including short-term tenancy sites or facilities and sites or facilities the tenancies of which are due for expiry within one year, should be optimized, with a view to increasing the supply of transitional housing.

Transitional Housing

18. The Government has been striving to address the housing problem facing the low-income families with poor living conditions by increasing the supply of PRH. As it took time to identify land for housing construction, the Government would support and facilitate the implementation of various short-term initiatives put forward and carried out by the community organisations on top of the long-term housing policy and measures, to increase the supply of transitional housing, with a view to alleviating the hardship faced by families on the PRH waiting list and the inadequately housed.

19. The Chief Executive announced in the 2019 Policy Address that the supply of transitional housing will be substantially increased to a total of 10 000 units within the next three years to alleviate the hardship faced by families on the PRH waiting list and the inadequately housed. These units will be built on temporarily vacant government land and public facilities, as well as land provided by private developers. The Urban Renewal Authority, Hong Kong Housing Society, Hong Kong Construction Association and other organisations will offer professional advice. Moreover, the provision set aside by the Government for transitional housing will increase from the \$2 billion announced earlier to \$5 billion, fully manifesting the tripartite partnership of the community, business sector and the Government.

20. Transitional housing may come in different arrangements and with different ideas. We hope to bring together community efforts, especially allowing different non-governmental organisations to show their creativity to provide various kinds of transitional housing projects. These transitional housing proposals may make use of the potential and resources in the community outside the Government, and offer flexible and multiple relief measures for the beneficiaries. The Task Force on Transitional Housing (Task Force) under the Transport and Housing Bureau will continue to provide one-stop coordinated support to facilitate the implementation of transitional housing projects. It will provide the necessary support to suitable projects upon consultation with relevant bureaux and departments, offer advice on relevant administrative or statutory procedures, assist in funding applications, etc.

21. As for potential sites, the Task Force and the Lands Department are co-ordinating and studying with relevant departments the preliminary sites suitable for developing transitional housing, including the service period and basic restrictions of these sites. Regarding other land lease applications and administrative arrangements, the Task Force will coordinate with relevant bureaux and departments to facilitate a flexible and appropriate arrangement to handle different projects according to their nature and characteristics.

22. With regard to including transitional housing in the LTHS' housing supply target, according to framework under LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target to capture the latest social, economic and market changes, and make timely adjustments where necessary. One of the demand factors to be considered during the annual update of long term housing demand projection is inadequately housed households (IHHs), which covers households living units made up of temporary structures (e.g. huts, squatters and roof-top structures); units located in a non-residential building (e.g. commercial and industrial buildings); units shared with other households (e.g. rooms, cubicles, bedspaces and cocklofts in private permanent buildings); and subdivided units. When determining the total housing supply target under the LTHS, the Government has already taken into account the housing needs of the IHHs. Furthermore, given the short term nature of transitional housing, the timing and amount of its supply is unstable and subject to change in a short period of time. Hence, it is not suitable to include these housing units in the ten-year housing supply target in LTHS.

(e) While it is mentioned in paragraph 40 of the paper that the Hong Kong Housing Authority ("HA") will continue with its efforts in combatting tenancy abuse, quite a number of members of the public query that the authorities have been ineffective in their investigations into the holding of non-local properties by public rental housing ("PRH") households or applicants, resulting in entitlements to valuable PRH resources by many holders of non-local properties. This Panel requests that the Administration and HA should spare no efforts in seriously investigating whether PRH applicants and PRH residents are holders of non-local properties, and should actively consider setting up a task force for tracing and verifying the holding of non-local properties by each PRH applicant and PRH resident, as well as impose severe punishment on those PRH applicants and PRH residents who have failed to make a true declaration of their non-local properties, in order to ensure rational use of PRH resources.

Combating Tenancy Abuse

23. To safeguard the public housing resources, HA is committed to combating tenancy abuses and striving to take stringent action against all tenancy abuse cases. HA has already set up a task force to conduct risk-based random checking on the information furnished by households. Upon identification of suspicious cases or receipt of complaints, HA carries out in-depth investigations and contacts the organisations concerned in/outside Hong Kong where necessary.

24. From 2016 to 2018, HA has received about 50 PRH applications concerning the concealment of ownership of properties outside Hong Kong, and most of them involved properties on the Mainland. Out of the about 50 cases, there are around 21 in which PRH applications have been cancelled and 1 PRH unit has been recovered; and the remaining cases are either under investigation or with investigation completed with no follow-up action required.

25. PRH applicants are obliged to declare all the information as required, including all assets and properties owned by them in and outside Hong Kong, in a true and accurate manner. They are also required to make a declaration that all the particulars furnished are true and correct. Under the Housing Ordinance, it is a criminal offence to provide false information and make a false statement. The PRH applications will be cancelled and the applicants concerned may be liable to prosecution. HA initiates random checks and carries out in-depth investigations into reported cases with reasonable grounds to suspect. Apart from that, when the PRH application reaches the stage of “detailed vetting”, HA verifies the eligibility of applicants by inviting them and their family members for interview, and, where necessary, requests information from relevant Government departments, public and private institutions (such as financial institutions and banks) and institutions outside Hong Kong for verification of application eligibility.

26. The Housing Department will prioritise its efforts on different types of investigations as appropriate, and will consider allocating additional resources to conduct more random checks.