

Legislative Council Panel on Housing
Supplementary Information

Purpose

Regarding the motions passed at the Legislative Council Panel on Housing meeting on 6 January 2020, having consulted the Financial Services and the Treasury Bureau, the Transport and Housing Bureau (THB) provides the relevant response.

Motions passed¹

(a) Given that over the years, public housing supply has failed to meet the target under the Long Term Housing Strategy, thereby further aggravating the problem of housing difficulties in Hong Kong society, this Panel calls on the Government to put in place additional measures to alleviate the problems of deteriorating living conditions and heavy housing burden faced by members of the public due to inadequate housing supply, including:

1. formulating specific objectives and timetables to reinstate the policy pledge of allocating public rental housing units within three years;
2. increasing the supply of various types of subsidized housing, so as to enable members of the public from different strata to acquire home ownership according to their needs;
3. providing a tax allowance for rentals to members of the public to alleviate the heavy rental burden borne by them;
4. providing rent subsidy to grass-roots families while introducing tenancy control on inadequate housing; and
5. addressing, through legislative means as soon as possible, the problem of overcharging tenants of inadequate housing such as sub-divided units, etc. for use of water and electricity.

¹ LC Paper No. CB(1)314/19-20(01), (03) and (04)

(b) This Panel expresses strong dissatisfaction and disappointment as the Government has, since the promulgation of the Long Term Housing Strategy ("LTHS"), failed to attain the public housing supply target every year. This Panel calls on the Government and the relevant policy bureaux and officials to take up the policy responsibility based on the principle of according priority to public housing, and make every effort to accelerate and increase public housing production, so that it is possible for the public housing production in the coming five years to meet the projected production under the LTHS Annual Progress Report 2019. Also, the Government should put in place specific measures to minimize delays in public housing delivery to avoid impacts on the supply of public housing.

(c) As it is anticipated that the public housing production in Hong Kong within the next 10 years will be continuously falling short of the supply target under the Long Term Housing Strategy ("LTHS"), this Panel urges the authorities to:

1. include transitional housing in LTHS and have it positioned as the first rung on the housing ladder, as well as put in place a long-term supply target for transitional housing, with a view to replacing inadequate housing which currently exists in society in the long run;
2. include the objective of allocating public rental housing units within three years in LTHS, with adjustments to the long-term supply target for public housing having regard to the objective; and
3. introduce expeditiously targeted tenancy control on private rental accommodation for the grassroots, including sub-divided units, so as to protect the grassroots.

Reply

2. According to the Long Term Housing Strategy (LTHS), 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 makes timely adjustments where necessary. According to the latest housing demand projection announced in the LTHS Annual Progress Report 2019, the total housing supply target for the 10-year period from 2020-21 to 2029-30 is 430 000 units. Based on the public/private split of new housing supply of 70:30, the public housing supply target will be 301 000 units and the private housing supply target will be 129 000 units for the said 10-year period.

The Average Waiting Time (AWT) for PRH

3. It is the Government and the Hong Kong Housing Authority (HA)'s objective to provide public rental housing (PRH) to low-income families who cannot afford private rental accommodation, with the target of providing the first flat offer to the general applicants (i.e. family and elderly one-person applicants) at around three years on average. As at end-March 2020, there were about 153 500 general applications and 103 600 non-elderly one-person applications under the Quota and Points System. The AWT² of general applicants who were housed in the past 12 months was 5.4 years. Among them, the AWT of elderly one-person applicants was 3 years.

4. The AWT for PRH is affected by various factors, including the number of PRH applicants; the number of units recovered from tenants; district choices of applicants and whether such choices match with the supply of PRH units available for allocation (including newly built and renovated units), etc. Despite the best efforts of the Government and HA in boosting public housing supply in recent years, the increase in PRH supply has yet to be able to completely absorb the accumulated demand for PRH in the coming few years. Notwithstanding the various constraints (particularly shortage of land supply), the Government and HA will continue their vigorous efforts in increasing PRH supply with a view to shortening the waiting time for PRH.

5. As regards the suggestion of incorporating the target of providing the first flat offer at around three years on average into the LTHS projection, we consider that this approach may not be able to provide a reliable housing demand projection. Firstly, the AWT target is only applicable to PRH general applicants but is not applicable to non-elderly one-person applicants under the Quota and Points System. As the number of general applicants will change from time to time depending on the applicants' financial situation, family status and personal preference, etc., we cannot accurately estimate the number of PRH general applicants amongst the various housing needs within the coming 10 years.

² Waiting time refers to the time taken between registration for PRH and the first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc.). The AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

6. Furthermore, the long term housing demand projection under LTHS aims to reflect the number of new units required for meeting the new housing demand within the projection period. However, from the perspective of PRH supply, besides new units, recovered PRH units are also an important source of supply. Based on our past experience, the average annual net recovery of PRH units for allocation to PRH applicants is over 8 000 units. In other words, we do not simply rely on new PRH units within the total housing supply target to meet the overall PRH demand. If the target of providing the first flat offer to PRH general applicants at around three years on average is to be incorporated into the long term housing demand projection, the housing demand and supply target will inevitably be over-estimated.

Transitional Housing

7. There are suggestions that transitional housing should be included in LTHS. According to the framework under LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target to capture social, economic and market changes over time, 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 in 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 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 different period of time. Hence, it is not suitable to include these housing units in the ten-year housing supply target.

Subsidised sales flats (SSFs)

8. One of the elements of the current-term Government's housing policy is to strive to build a housing ladder, so as to rekindle the hope of families in different income brackets to become home-owners. In this regard, the Government has been striving to increase public housing supply and launched various SSF schemes (e.g. Home Ownership Scheme, Green Form Subsidised Home Ownership Scheme, White Form Secondary Market Scheme, etc.) and Starter Homes (SH) Pilot Projects for Hong Kong Residents to meet the home ownership aspirations of the citizens.

Increasing public housing supply

9. According to LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target. This annual updating exercise enables the Government to continuously plan ahead the development of land and housing, in order to meet the housing needs of the community over the long term. The Government also takes forward public housing development projects through a five-year public housing construction programme, which rolls forward on a yearly basis.

10. Regarding public housing land supply, the Government has revised the public/private split of new housing supply from 60:40 to 70:30 since 2018. The Government will continue to spare no efforts in increasing the short, medium and long term housing land supply through a series of measures, including pressing ahead with various planned initiatives such as rezoning existing sites and carrying out major development projects. Also, in 2018, the Government re-allocated nine private housing sites at Kai Tak and Anderson Road Quarry for public housing development, which would provide some 11 000 units in total. Furthermore, the Government has allowed a further increase of domestic plot ratio for public housing sites in selected Density Zones of the Main Urban Areas and New Towns by 10% (i.e. up to maximum 30% increase in total) where technically feasible.

11. In addition, the Chief Executive announced in the 2019 Policy Address a series of new measures to increase land supply, such as invoking the Lands Resumption Ordinance and other applicable ordinances to resume private lands for development of public housing or SH; and the concrete implementation of Land Sharing Pilot Scheme. These measures help increase the land supply for public housing development. Meanwhile, HA is exploring the feasibility of redeveloping individual factory estates as appropriate for public housing use taking into account individual site conditions and arrangements, and will announce the results and recommendations as appropriate.

12. To meet the housing production target under the LTHS, HA will continue to strive to optimise site potential through comprehensive planning and site-specific design to best respond to site conditions, utilise plot ratio and maximise flat production.

13. Regarding expediting public housing construction, HA is open and receptive to new initiatives as always to enhance quality, safety, productivity, speed, and environmental performance. We will continue to explore opportunities in increasing precast rate such as volumetric precast lift machine room at main roof and other innovative construction methods such as mobile devices and robotic applications for public housing developments so as to further improve productivity on site.

14. Regarding measures for monitoring the progress of public housing construction, HA has been attaching great importance to the progress of public housing construction and has put in place a stringent monitoring mechanism. In accordance with the mechanism, the Housing Department (HD) monitors the progress of each project closely through regular reviews. Monthly progress reports are submitted to the Building Committee of HA, which discusses and monitors the progress and gives suggestions on project enhancement. To mitigate project delay, HD also implements measures such as requesting constructors to increase manpower and expedite construction progress; conducting site checks more frequently; convening site meetings; carrying out site supervision and inspection, etc. These measures help address the challenges encountered at on-site construction works, with a view to facilitating timely completion of projects according to the schedule.

Tax allowance for rentals

15. There are suggestions that tax allowance for rentals should be provided to members of the public to alleviate their heavy rental burden. After careful consideration of the pros and cons of providing tax deduction for rental expenses on residential properties, we believe that such proposed arrangement is not appropriate. In view of the tough economic environment, the Government has allocated funding twice to pay rent for lower income PRH tenants for a total of two months this year. One round of payment was granted in January 2020 as one of the Financial Secretary's helping measures announced in 2019; and the other round was granted in July 2020 as a relief measure under the 2020-21 Budget. The rent payment measure will benefit about 790 000 PRH tenants, involving an expenditure of about \$2,836 million.

Cash Allowance

16. There are suggestions that the Government should provide rent subsidy to grassroots families. The Government understands that, amid the high property prices and rents, quite a number of grassroots families are bearing a heavy burden on livelihood and some may even live in unpleasant environments. The Government has all along been committed to increasing housing land supply and expediting the production of public housing units in an attempt to effectively address the long term housing needs of the grassroots families. Nonetheless, it takes time to identify land for housing construction. Before reaching the long term land and housing supply targets, in order to alleviate the pressure on livelihood faced by the low-income households, the Government announced on 14 January 2020 that it would, on a trial basis, provide cash allowance to eligible General Applicant households (i.e. families with two or more persons and elderly single-person applicants) who are not living in public housing, not receiving the Comprehensive Social Security Assistance (CSSA) and have been waiting for PRH for more than three years, until these households are offered the first PRH allocation. The Government is working out the details of the trial scheme for the provision of cash allowance, with a view to launching the trial scheme in the second half of 2021. Before the launch of the trial scheme, the Community Care Fund will put forward two rounds of “one-off living subsidy” in 2020-21 for the low-income households not living in PRH and not receiving the CSSA.

Tenancy control of subdivided units (SDUs)

17. As regards the suggestion of the introduction of tenancy control, THB has established a Task Force to examine the feasibility and viable options for implementing tenancy control on SDUs as well as various relevant subjects, including discussion about prevention of overcharging of water and electricity tariffs and miscellaneous charges. The Task Force will also vet the contracts of the relevant consultancy studies and consider reports to be submitted by the consultants. Procurement of consultancy services will proceed as soon as possible for data collection and studies on the topics determined by the Task Force. THB aims to complete the study by the first half of 2021. We will maintain communication with relevant stakeholders (including the Legislative Council) and listen to their suggestions during the study of the feasibility on introducing tenancy control on SDUs.

**Transport and Housing Bureau
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