

**Legislative Council Meeting on 14 July 2021**  
**Motion on “Reforming the Housing Policy to Resolve the Housing Problem”**

**Progress Report**

**Purpose**

At the meeting of the Legislative Council on July 14, 2021, the motion "Reforming the Housing Policy to Resolve the Housing Problem" moved by the Hon Tony TSE Wai-Chuen as amended by the Hon Wilson OR Chong-shing was passed. A copy of the passed motion is at **Annex**. Having consulted the Development Bureau (DEVB) and the Environment Bureau, a report of the progress of work is as follows.

**Latest Progress**

2. Inadequate housing supply is currently the issue of the biggest public concern. The Government is determined to resolve the housing problem and has been striving to provide adequate housing for families of different income brackets. The housing policy of the current-term Government comprises four elements: emphasising the Government’s indispensable role; facilitating home ownership; focusing on land supply; and optimising existing resources to help families who have been waiting for public rental housing (PRH) for a long period of time.

**Housing Supply Target**

3. The current-term Government sustains its efforts in supplying land and increasing housing supply. The Government has identified about 350 hectares (ha) of land which can produce some 330 000 public housing units in the coming 10-year period (i.e. from 2022-23 to 2031-32). This figure is slightly higher than that announced last year, and can meet the estimated public housing demand of around 301 000 units in the 10-year period. The Government will provide the details in the Long Term Housing Strategy (LTHS) Annual Progress Report 2021 to be published at the end of this year. Public housing production in the five-year tenure of the current-term Government is expected to reach 96 500 units, which is 30 000 units more than the previous five-year period.

4. The housing demand projection model under LTHS takes into account four components, namely the net increase in the number of households; households displaced by redevelopment; inadequately housed households and miscellaneous factors to estimate the housing demand within the coming 10-year period. The 10-year housing supply target under LTHS aims to meet the total housing demand in the next 10 years, and covers both public and private housing. If the housing demand projection under LTHS is to be linked with the policy objective of the three-year average waiting time (AWT) target for PRH, the focus would be to advance the demand (and hence the housing supply target) so as to achieve the three-year AWT target. While it is not infeasible conceptually, the current situation which we are facing is that the annual housing supply within the 10-year period hinges on the amount and timing of land supply, as well as the conditions of individual projects; and it is expected that the estimated public housing production in the coming 10 years will mainly fall within the latter part of the 10-year period. Therefore, under the current circumstances, we will continue to project the housing demand based on the LTHS methodology.

5. As regards when the target of providing the first flat offer at three years on average will be achieved, since the number of newly registered PRH applications varies every year, and the timing for general applicants to receive the first flat offer is also affected by many factors (such as whether the applicant's district choice matches with the PRH supply of the district, etc.), it is difficult to accurately predict when the target of providing the first flat offer at three years on average will be achieved. Nevertheless, with the increase in land supply in future, more PRH units can be built and hence it is expected that the AWT for PRH may be improved after 10 years. In any event, the Government and Hong Kong Housing Authority (HA) will continue to spare no efforts in allocating more flats to PRH applicants as soon as possible.

### Land Supply

6. The Government has been actively taking forward various initiatives pertinent to increasing land supply. In particular, the final report of the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" (Hong Kong 2030+) Study was released on 8 October 2021. Taking into account the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long Range Objectives Through the Year 2035 (the 14th Five-Year Plan) and the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), as well as the community's aspirations for a better living environment, DEVB has updated the land demand projections for three broad categories of land uses, viz housing, economic uses, as well as uses covering Government, Institution and Community (GIC) facilities, open space and transport infrastructure. The final projections

suggest that from 2019 to 2048, the overall demand for land would be about 6 200 ha<sup>1</sup>.

7. The Hong Kong 2030+ also reinforces the adoption of a multi-pronged land supply strategy, setting out an estimated overall land supply of 7 300 ha to meet the projected land requirement over the same 30-year period. This estimated supply comprises a committed land supply of about 3 200 ha (largely to be generated from various land development projects which are ongoing or at relatively advanced stages of planning) and possible solution spaces of about 4 100 ha to be available in the medium to long term. This would enable us to meet the demand in the medium to long term, as well as allow capacity to respond to the ever-changing circumstances in the years ahead.

8. In addition, the DEVB is pursuing/will pursue a number of studies to look into various development opportunities, including the San Tin/Lok Mau Chau Development Node, New Territories North New Town and Man Kam To, Hung Shui Kiu/Ha Tsuen New Development Area (NDA) and Kwu Tung North NDA. DEVB will also continue to take forward the work in respect of land resumption, cavern development, expediting urban renewal, etc., so as to further boost land supply.

#### Average Living Space per Person

9. The Government has put in enormous efforts in identifying and creating land resources with an aim to upgrade the living quality of people in terms of environment and space. Although the Government has made great efforts in boosting housing supply, the overall resources for public housing development in Hong Kong is still limited. As such, we have to optimise the use of limited land according to priorities. At present, the most pressing issue is the shortage of public housing supply. We have to first use our limited land resources in building more public housing units in order to enable applicants on the waiting list who have waited for a long time to be allocated PRH units as early as possible.

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<sup>1</sup> This figure is considerably higher than the initial estimate of about 4 800 ha suggested in 2016, as the Government has taken a more visionary, forward looking and capacity creating approach in making the projections, assuming:

- (a) an enhancement in home space when working out the overall land requirement for accommodating demand for an additional 1 million housing units, which would translate into average living space per person at 20 square metres/215 square feet (after an assumed 10% home space enhancement) and 22 square metres/237 square feet (after an assumed 20% home space enhancement);
- (b) much stepped up demand for land to drive economic development leveraging on the opportunities arising from the 14th Five-Year Plan and the Outline Development Plan for the GBA. It has assumed, for instance, a demand of at least 340 ha of land for promoting the development of science, innovation and technology-related industries; and
- (c) enhancement in the provision targets of GIC facilities, open space and transport infrastructure. For instance, the land per person ratio for open space has been increased to 3.5 square metres/38 square feet per person, higher than the assumed target of 2.5 square metres/27 square feet adopted in the Year 2016 round of projection and the actual provision of 2.7 square metres/29 square feet.

10. In the long run, after land and housing supply are in place and the average waiting time for PRH is significantly reduced, we will timely explore and consider holistically whether and how to further enhance the living space of PRH tenants.

### PRH Rent

11. PRH is an established safety net for low-income families. Section 16A of the Housing Ordinance stipulates the existing PRH rent adjustment mechanism; and HA reviews and adjusts the PRH rent biennially according to this mechanism. The rent adjustment mechanism is based on tenants' income, and HA must adjust the PRH rent according to the changes in the PRH tenants' income index in the rent review. The income index is compiled by the Commissioner for Census and Statistics. Depending on the change in the income index, the rent can be adjusted upward or downward: there is a 10% "cap" in the case of rent increase, while there is no lower limit in the case of rent reduction. In addition, the Housing Ordinance also stipulates that HA may remit rent of tenants for such period as it thinks fit. On the one hand, the above mechanism ensures that the rent adjustment is affordable to PRH tenants. On the other hand, it also provides HA with sufficient flexibility to offer appropriate assistance to PRH tenants in a timely manner.

12. In view of the impact of the COVID-19 pandemic on the overall socio-economic environment and PRH tenants, and balancing PRH tenants' affordability and the healthy and sustainable development of HA's finance, when HA adjusted the PRH rent in July 2020, HA also approved a one-month rent waiver for PRH tenants in September 2020 and September 2021 respectively.

### Ageing in Place and Inter-generational Harmony

13. While the Government strives to identify sites for housing development, it has also been devoting its best to cater for the needs of PRH residents as a means to enhance their quality of life. There are a number of priority measures under the current public housing policy to address the housing needs of elderly households. In respect of PRH allocation, the HA has put in place various schemes which accord priority to elderly applicants. Elderly singletons may apply for PRH under the Single Elderly Persons Priority Scheme, while elderly persons living with their families may choose to apply for PRH under the Harmonious Families Priority Scheme as an ordinary family. As regards the purchase of SSFs, there is also the Priority Scheme for Families with Elderly Members.

14. The HA has been sparing no effort in fostering elderly-friendly communities in PRH estates. At present, universal design is adopted in all newly built estates with the provision of barrier-free facilities for the convenience of the elderly and wheelchair users. Regarding the old housing estates, the HA has been undertaking necessary modification or adaptation works for elderly tenants free of charge. Where necessary, the HA will seek advice from physiotherapists or even doctors to provide appropriate support to the elderly.

#### Making Good Use of Public Housing Resources

15. The Government and the HA acknowledge the importance of ensuring proper use of the precious PRH resources. As far as the Well-off Tenants Policy (WTP) is concerned, as a means to ensure that efforts would be focused towards allocating PRH to those with more pressing housing needs, the HA has implemented the revised WTP since 2017, under which PRH households whose family income exceeds five times the prevailing PRH income limits or whose total household net assets value exceeds 100 times the prevailing PRH income limits should vacate their PRH units. In addition, PRH households who have domestic property ownership in Hong Kong should vacate their PRH units, irrespective of their levels of income or assets. Under the current arrangements, the limited PRH resources can be effectively accorded to people and families with genuine needs.

16. Under the existing WTP, for households who do not have domestic property ownership in Hong Kong, if their household income exceeds two times and not more than three times the prevailing PRH income limits, they will be required to pay 1.5 times net rent plus rates; if their household income exceeds three times and not more than five times the prevailing PRH income limits, they will be required to pay double net rent plus rates.

17. As regards the Under-occupation Policy, the HA has been recovering flats of a larger size for re-allocation to larger families awaiting PRH or overcrowded households by requiring under-occupation households living in units exceeding the prescribed thresholds to move to another suitable PRH unit. In the past five years, the HA handled about 2 200 cases on average each year. Besides, in December 2019, the HA introduced a measure whereby all elderly under-occupation households whose family members are all aged 70 or above can enjoy full rent exemption for life if they choose to move to smaller PRH units. As at the end of August 2021, the HA has approved about 430 applications, of which 110 households have accepted the allocation. We believe the aforesaid policy can meet the expectation in society on ensuring the effective utilisation of PRH resources.

## Redevelopment of Aged Public Housing Estates

18. HA has been reviewing whether individual aged public housing estates should be redeveloped in accordance with its established policies and having regard to the actual circumstances<sup>2</sup>. Based on the aforesaid principles, HA has completed 12 PRH redevelopment projects in the past 10 years, and is proceeding with a total of eight redevelopment projects. Three of the projects involve redevelopment of PRH estates, namely Pak Tin Estate (older portion), Mei Tung Estate (older portion) and Wah Fu Estate, which will provide about 21 600 units in total upon completion. Shek Lei Interim Housing will also be cleared for public housing development, with an expected yield of about 1 600 units. The remaining four projects involve the redevelopment of HA's factory estates, namely Sui Fai Factory Estate in Fo Tan, Yip On Factory Estate in Kowloon Bay, Wang Cheong Factory Estate in Cheung Sha Wan and Kwai On Factory Estate in Kwai Chung for public housing use. It is expected that a total of about 4 800 units will be provided.

19. As suitable rehousing resources for Sai Wan Estate and Ma Tau Wai Estate will be available, and in light of the potential of providing more housing units upon redevelopment, the Chief Executive in her 2021 Policy Address invites HA to examine the redevelopment of these two about 60 year-old estates under suitable conditions, and to include the adjacent areas into the redevelopment sites as far as practicable, so that these two prime urban sites can provide more public housing units to meet public aspirations. The initial estimate is that redevelopment of the two estates can provide about 5 000 units in total upon completion.

## Enriching the Housing Ladder

### *Subsidised Sale Flats*

20. We have on the one hand expanded the options of subsidised sale flats (SSFs) to enrich the housing ladder, and on the other hand revised the pricing policy for SSFs in 2018 to delink the selling price of these flats from the private housing market. Green Form Subsidised Home Ownership Scheme (GSH) and SH units are priced with Home Ownership Scheme (HOS) as the basis. A typical flat sold in HOS 2018 was about 26% cheaper as a result of the change. So far, about 16 300 HOS flats have been sold under the revised pricing policy.

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<sup>2</sup> HA has been considering redevelopment of individual PRH estates in a prudent manner according to its policies and the 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, having regard to the actual circumstances. Redevelopment of a PRH estate may increase the supply of PRH in the long run. However, large-scale redevelopments involve allocation of a large number of PRH units for rehousing the affected PRH residents, which could otherwise be allocated to families with pressing housing needs. This will not only result in an immediate reduction in PRH supply, but will also lengthen the waiting time of households awaiting PRH allocation.

21. Apart from making SSFs more affordable to buyers, the HA also needs to ensure that applicants with a greater need for home ownership enjoy a higher priority in flat selection, so as to achieve the effective utilisation of housing resources. In this regard, before the commencement of each sale exercise, the HA will work out the relevant sale details, including the flat selection priority for different categories of applicants. Taking the sales arrangements for GSH 2020/21 approved by the HA in March this year as an example, the flat selection priority for the applicants was as follows: family applicants affected by HA's announced clearance programme(s); family applicants applying under the Priority Scheme for Families with Elderly Members; other family applicants; one-person applicants affected by HA's announced clearance programme(s); and other one-person applicants. The current flat selection priority can largely strike a balance among the expectations of various parties despite the tight supply of public housing.

22. The HA will continue to closely monitor the sales situation and timely review the policies of SSFs in the future.

#### *Relaunching of the Tenants Purchase Scheme*

23. We understand that there have been calls from the society for HA to re-launch the Tenants Purchase Scheme (TPS), so that PRH tenants outside the existing 39 TPS estates may also achieve home ownership through purchasing the flats in which they reside. However, as mentioned in the 2021 Policy Address, taking into account the need for equitable distribution of PRH resources, we cannot re-launch the TPS lightly and allow PRH units to become inheritable or saleable assets. In order to accelerate the sale of unsold TPS flats in the existing 39 TPS estates to further meet the home ownership aspirations of PRH tenants, HA endorsed putting up the recovered TPS flats for sale in the HOS and GSH sale exercises to eligible Green Form applicants. The first batch of 815 recovered TPS flats have been launched for sale under the "GSH 2020/21"; eligible applicants have been invited for flat selection from 29 October 2021.

#### *Starter Homes for Hong Kong Residents (SH) Pilot Project*

24. Through the introduction of SH pilot projects, the Government has further enriched the housing ladder to meet the needs of families of different means. The Urban Renewal Authority (URA) has been entrusted with the new mission to actively provide more SH units in its redevelopment projects. In addition to eResidence, the first SH pilot project at Ma Tau Wai Road (providing 493 units), the Government is taking forward three SH projects with over 3 000 SH units in total, namely a URA redevelopment project adjacent to eResidence, a private residential site at Anderson Road successfully tendered and the Tai Hang Sai Estate redevelopment with URA participation.

## *Private Housing*

25. As for private housing, the Government strives to maintain a healthy development of the private residential property market. Apart from actively expanding land resources and expediting land formation and infrastructure development to increase land and housing supply, the Government has adopted demand-side management measures (including Special Stamp Duty, Buyer's Stamp Duty and New Residential Stamp Duty) to stabilise the residential property market. At present, the residential property supply is still tight. The overall residential property prices remain at a level beyond the affordability of the general public. According to the latest information from the Rating and Valuation Department, the mortgage-to-income ratio for private sector households with median household income (i.e. the home purchase affordability ratio) in the second quarter of 2021 stayed high at 75%, which was higher than the 74% in the first quarter of 2021 and much higher than the average of 47% over the past 20 years. We are therefore not in a position at the moment to abolish the demand-side management measures for residential properties. The Government will, as always, continue to keep watch on the residential property market conditions and take timely and appropriate measures in response to market changes by making reference to relevant indicators.

26. Under the existing mechanism of New Residential Stamp Duty, for purchase and transfer of residential properties between close relatives (including spouse, parents, children or brothers and sisters), if the purchaser or transferee is acting on his/her own behalf, he/she is only subject to the lower ad valorem stamp duty rates at Scale 2 but not the New Residential Stamp Duty. The objective of the Government in providing exemption for transfer between close relatives is to take care of the practical needs of property transfer between close relatives as far as possible while implementing the demand-side management measures. As a matter of fact, property transfer between close relatives involves a lot of financial dealings, including property transfer by the property holder due to age, health, marital status and other reasons. Furthermore, to impose any new restrictions on transfer between close relatives will be very complicated and controversial, and may create heavy burden to those who have genuine needs in acquiring properties. The Government considers that the existing exemption arrangements for transfer between close relatives can strike a proper balance between safeguarding the effectiveness of the demand-side management measures and taking care of the practical needs of residents in acquiring properties.

## *Transitional Housing*

27. The current-term Government has introduced three groundbreaking measures to improve the living conditions of families living in inadequate housing, namely transitional housing, the Cash Allowance Trial Scheme and legislation for tenancy control of subdivided units (SDUs). On transitional housing, as at



October 2021, the Government has identified land for providing over 15 000 transitional housing units, of which 1 306 units were completed, over 4 400 units are under construction, and projects with over 9 900 units have commenced consultation, procurement or tender procedures. Set up by the Government in mid-2020, the Funding Scheme to Support Transitional Housing Projects by NGOs has approved 24 projects with \$5.596 billion funding support as at September 2021. In addition, the Government launched a Pilot Scheme in April 2021 with \$95 million from the Community Care Fund to support NGOs to use about 800 rooms in hotels and guesthouses as transitional housing. Up to September 2021, a total subsidy of about \$72 million for six projects was approved to provide 576 units.

28. The provision of transitional housing embodies tripartite collaboration among community organisations, the business sector and the Government. We have further increased our supply target from 15 000 units to 20 000 units, and will increase the amount of funding under the Funding Scheme to Support Transitional Housing Projects by NGOs to \$11.6 billion, with a view to improving the living environment and conditions of those who have been waiting for PRH for a long period of time and living in inadequate housing. The Task Force on Transitional Housing under the Transport and Housing Bureau is reviewing with various NGOs the feasibility of developing transitional housing on some idle government and private sites.

29. The time and quantity of transitional housing supply may vary over time as this housing initiative is a short-term relief and transitional in nature. On the other hand, various levels on the housing ladder are long-term and stable housing options. It is therefore inappropriate to incorporate transitional housing into the long-term housing ladder.

#### Reorganisation of Policy Bureaux

30. There is a need to re-organise the policy bureaux to complement our policy focuses and meet social expectations. Initial thinking according to the 2021 Policy Address is that the re-organisation may take the following directions:

- i. to split the Transport and Housing Bureau (THB) to provide a more dedicated high-level steer for these two major policy areas; and
- ii. to explore whether there is room to rationalise the work of the Housing Bureau upon the split and the DEVB, which is responsible for land development and public works, in order to expedite land supply for housing.

## Efficiency in Vetting and Approving Development Projects

31. Apart from identifying sufficient land for housing construction, we also need to streamline the development process in order to ensure a timely supply of housing units as well. As such, we expanded the composition and remit of the Steering Group on Streamlining Development Control under DEVB to include vetting departments other than those under DEVB, with a view to reviewing more comprehensively the development approval processes for both Government and private projects, and rationalising the development-related requirements imposed by different bureaux. Other than expediting administrative procedures, DEVB is also reviewing whether and how the various statutory processes in seeking planning applications, road gazetting, land resumption, etc. can be streamlined or expedited. The major review directions include shortening statutory procedures (e.g. shortening the statutory timeline allowed for completion of the rezoning process), doing away with repetitive procedures (e.g. the handling of similar objections raised against the same project under different ordinances), facilitating parallel processing of different procedures as far as practicable (e.g. allowing reclamation to take place while formulating land uses) and rationalising arrangements (e.g. confining rezoning applications to those with control over the land concerned). DEVB plans to consult the Legislative Council on our specific recommendations in the first half of 2022, and seek to introduce legislative amendments within the same year.

### **Conclusion**

32. Expanding land resources for housing construction is the most fundamental way to resolve the imbalance between supply and demand of housing in Hong Kong. The Government will continue to adopt a multipronged approach to actively identify land for housing construction, so as to accelerate and increase the supply. Meanwhile, we will strive to make good use of the existing housing resources to help residents living in inadequate housing, so as to enhance people's living environment and quality of life.

Transport and Housing Bureau  
November 2021

(Translation)

**Council meeting of 14 July 2021**

**Hon Tony TSE's motion on  
"Reforming the housing policy to resolve the housing problem"**

**Motion as amended by Hon Wilson OR**

That, since the housing problem has been plaguing the public for a long time, this Council urges the Government to comprehensively reform Hong Kong's housing policy to practically resolve people's housing problem, thereby improving their living environment and upgrading their quality of life, with specific proposals including:

- (1) formulating a standard for the average living space per person to provide Hong Kong people with a more spacious living environment, and including the standard in the Long Term Housing Strategy ('LTHS');
- (2) formulating a standard ratio of housing expenses to household income, so that the prices and rents of public and private housing can be maintained at a reasonable and affordable level;
- (3) enhancing the home ownership ladder, including reforming the balloting system for subsidized sale housing so that the middle class, singletons and young people can see the hope of acquiring their first property;
- (4) reviewing the policies on well-off tenants and under-occupation households in public rental housing and examining the introduction of subsidized rental housing with higher rents;
- (5) proactively coping with the ageing of population and buildings by encouraging ageing in place and inter-generational harmony and speeding up the redevelopment of old districts with a new mindset;
- (6) reorganizing the government structure in respect of the policy areas of housing, land, transport and environmental protection, and strengthening the Government's role as a 'facilitator', so as to enhance the efficiency in identifying sites for housing construction and in vetting and approving development projects;
- (7) formulating clear housing policy objectives for LTHS, including incorporating transitional housing into the housing ladder, realizing the

objective of three-year waiting time for public rental housing allocation and assisting the public in home ownership;

- (8) revising the supply target of public housing in LTHS and pegging it to the objective of three-year waiting time for public rental housing allocation;
- (9) publishing in the LTHS Annual Progress Report the progress of various land development projects and housing development projects, and setting out the reasons for delays or cost overruns of such projects;
- (10) conducting a study on revising and relaunching the Tenants Purchase Scheme; and
- (11) adjusting the existing stamp duty on property transactions to alleviate the burden on genuine first-time home buyers while plugging potential tax avoidance loopholes for 'bogus first home purchase'.