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Panel on Housing

Meeting on 14 January 2021

Background brief prepared by the Legislative Council Secretariat on Long Term Housing Strategy

Purpose

This paper provides background information on the Long Term Housing Strategy ("LTHS") and a summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

Formulation of the new Long Term Housing Strategy

2. In September 2012, the Government launched the LTHS review¹ as part of its efforts to take forward its housing vision. The review aimed 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")² issued a consultation document entitled "Building

¹ The LTHS review covered: (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. Information about the LTHS review is available via the following hyperlink: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/>.

² The Steering Committee was chaired by the Secretary for Transport and Housing and comprised 15 non-official and three official members, namely Permanent Secretary for Transport and Housing (Housing), Permanent Secretary for Development (Planning and Lands), and Government Economist.

Consensus, Building Homes" ("the Consultation Document")³ on 3 September 2013. The key recommendations in the Consultation Document are set out in **Appendix I** and a summary of the views collected during the Consultation is in **Appendix II**. The Steering Committee submitted its report to the Government on 17 February 2014.

3. On 16 December 2014, the Government promulgated the new LTHS and released the "LTHS Implementation Milestones as at December 2014".⁴ The Government made a major policy shift by adopting a supply-led strategy with a view to averting the supply-demand imbalance. In addition to increasing the supply of public and private housing, the Government would also seek to ensure the rational use of public rental housing ("PRH") resources and consider how to expand the forms of subsidized home ownership.

4. As recommended by the Steering Committee, the Government would update the long term housing demand projection annually and presents a rolling 10-year housing supply target in order to capture social, economic and market changes over time and to make timely adjustment where necessary. According to the housing demand projections published in December 2019, the total housing supply target for the 10-year period from 2020-2021 to 2029-2030 was 430 000 units. With a public/private split of 70:30,⁵ the supply targets for public and private housing were 301 000 units and 129 000 units respectively.

³ The Consultation Document set out the Steering Committee's views and recommendations on the proposed LTHS, encompassing issues such as the vision for LTHS, the projection of long term housing demand, the housing needs of specific groups in the community, measures to maximize the rational use of public rental housing resources, the role of various housing delivery agents and measures to increase housing supply, etc.

⁴ The documents are available from the following website of the Transport and Housing Bureau: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

⁵ Since the promulgation of LTHS in 2014, the public/private split of new housing supply had been maintained at 60:40. The Policy Address delivered in October 2018 suggested that the public/private split of the future 10-year housing supply target under LTHS might need to be adjusted. In December 2018, the Government announced that the public-private split was revised to 70:30 for the 10-year period from 2019-2020 to 2028-2029.

Establishment of a Housing Reserve

5. To meet the 10-year public housing supply target as set out in LTHS, the Government established a Housing Reserve. On top of the initial sum of \$27.5 billion earmarked for the Housing Reserve in 2014 (which measured \$29 billion given the interest accrued), the Government made a further injection of about \$45 billion in the 2016-17 Budget with a view to securing the long-term and sustained delivery of the housing targets. As announced in the 2019-20 Budget Speech, the Housing Reserve would be brought back to the Government's accounts over four years from 2019-2020 to 2022-2023 as investment income. At the same time, \$82.4 billion (the balance of the Housing Reserve at 31 December 2018) was earmarked for public housing development. A sum of \$21.2 billion has been brought back from the Housing Reserve in 2019-2020.⁶

Major views and concerns

6. The Panel received a briefing by the Administration on the new LTHS at its meeting on 5 January 2015. A special meeting was held on 21 March 2015 to receive public views. Since January 2016, the Administration briefed the Panel on the implementation of the key aspects of LTHS annually. The major views and concerns expressed by members on the subject are summarized in the ensuing paragraphs.

Forecasts on housing demand

7. Members opined that the estimated 10-year public housing production had lagged behind the supply target under LTHS since its formulation in 2014, and questioned whether the annual exercises to update the LTHS supply target had taken into account the annual shortfalls between targeted and actual housing supply since the introduction of LTHS.

8. The Administration advised that when announcing the housing supply target for the 10-year period from 2020-2021 to 2029-2030 in December 2019, the Government had pointed out that assuming that all sites identified could be smoothly delivered on time for housing development, the estimated public housing production for the above 10-year period would be about 272 000 units. Comparing with the public housing supply target of 301 000 units, the production shortfall was 29 000 units. The production shortfall represented the housing demand that had

⁶ The [2020-21 Budget Speech](#)

yet to be met in the next 10 years. Such unmet housing demand would continue to be counted towards the gross housing demand for the next 10-year period through the rolled-forward projection. Therefore, the annual updating of LTHS had already taken into account all housing demand that had yet to be met.⁷

Supply targets for public housing and transitional housing

9. In view of the problems of deteriorating living conditions and heavy housing burden faced by the public due to inadequate housing supply, some members opined that the Administration should include transitional housing as one of the components of the housing ladder in Hong Kong and put in place a long-term supply target for such housing with a view to replacing inadequate housing in society in the long run; include in LTHS the objective of allocating PRH units to applicants within three years, with adjustments to the long-term supply target for public housing having regard to the objective; and increase 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.

10. The Administration advised that one of the elements of the current-term Government's housing policy was 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/Hong Kong Housing Authority had launched various schemes of subsidized sale flats ("SSF") (e.g. Home Ownership Scheme, Green Form Subsidised Home Ownership Scheme ("GSH"), White Form Secondary Market Scheme, etc.) and Starter Homes Pilot Projects for Hong Kong Residents to meet the home ownership aspirations of the citizens. On transitional housing, the Government announced in January 2020 the provision of 15 000 transitional housing units over the next three years. Given the short term nature of transitional housing, the timing and amount of its supply were unstable and might be subject to changes in different periods of time. It was therefore not suitable to include transitional housing in the 10-year housing supply target. In fact, one of the demand components to be considered during the annual update of long term housing demand projection was inadequately housed households ("IHHs"). When determining the total housing supply target under LTHS, the Government had already taken into account the housing needs of IHHs.⁸

⁷ Government's [press release](#) dated 3 June 2020

⁸ LC Paper No. [CB\(1\)860/19-20\(01\)](#)

11. As regards the suggestion of incorporating the target of providing the first flat offer at around three years on average into the LTHS projection, the Administration considered that this approach might not be able to provide a reliable housing demand projection. Firstly, the average waiting time target was only applicable to PRH general applicants but was not applicable to non-elderly one-person applicants under the Quota and Points System. As the number of general applicants would change from time to time depending on the applicants' financial situation, family status and personal reference, etc., the Administration could not accurately estimate the number of PRH general applicants amongst the various housing needs within the coming 10 years.⁹

Land supply for housing

12. Some members opined that as the persistent insufficient supply of land was one of the reasons for the failure of the Government to substantially increase the housing supply over the years, the Administration should accelerate the implementation of the existing projects for increasing land supply and expeditiously conduct studies on various propositions of land development, such as use of the Fanling Golf Course ("FGC").

13. The Administration advised that through rezoning and suitably increasing development intensity to boost short-to-medium-term land supply, various initiatives could provide an aggregate of over 380 000 public and private housing units, including some 310 000 housing units (with over 70% being public housing) made available by rezoning of over 210 sites with housing potential. As at June 2020, 139 sites had been rezoned or allocated for housing development, while another eight sites were undergoing rezoning procedures. Also, to further utilize public housing sites, the Government had refined the relevant policy such that the development intensity of public housing sites could be increased by a maximum of 30% where their technical feasibility permitted (except for the north of Hong Kong Island and Kowloon Peninsula which were more densely populated).¹⁰

14. The Administration further advised that for the 172-hectare ("ha") FGC, the Task Force on Land Supply ("TFLS") had recommended that the Government accord priority to studying and resuming the 32 ha of the FGC east of Fan Kam Road. The Government had announced full acceptance of the recommendations of TFLS and decided to resume the 32 ha of the FGC

⁹ LC Paper No. [CB\(1\)860/19-20\(01\)](#)

¹⁰ LC Paper No. [CB\(1\)902/19-20\(01\)](#)

for public housing in February 2019. The Government had also indicated at the same time that upon the expiry of the lease of the FGC in August 2020, the 32 ha of land would be subject to a special three-year hold-over arrangement until August 2023. The Government had commenced technical study for the 32-ha land in September 2019. The study could be completed and stakeholders could be consulted in early 2021 as scheduled. Detailed design would commence after the completion of the statutory environmental impact assessment process in the latter half of 2021. Statutory planning process would also proceed in parallel for striving to commence site formation and supporting infrastructure works as early as possible upon the land was reverted to the Government in September 2023 for completion of public housing development in 2029.¹¹

Land and public housing development process

15. Members expressed concern about the long time taken by the Administration in carrying out the land and public housing development process for a land site, and enquired about the Administration's concrete measures to ensure that relevant bureaux/departments would expedite the administrative procedures involved in the process.

16. The Administration explained that at present, it usually took 10 years or more to transform a piece of "primitive land" into a "spade-ready site"¹², and from construction of housing to its completion. To take the example of rezoning a single lot for the development of public housing, the first step was to conduct a technical feasibility study to assess whether there were insurmountable issues regarding aspects such as transport and environment, and to put forward a preliminary proposal. Rezoning would then proceed under the Town Planning Ordinance (Cap. 131), followed by detailed engineering and architectural designs, the gazettal of land resumption and works area and the handling of objections under the Lands Resumption Ordinance (Cap. 124) and other ordinances if any private lot was involved, as well as the preparation for clearance of Government land. When the detailed designs and estimated expenditures were ready, the Government would seek funding approval from the Legislative Council for the related works and if approved, the land resumption procedures would officially commence and rehousing compensation would be arranged for the affected tenants or operators. Afterwards, the land would be cleared for site

¹¹ Government's [press release](#) dated 2 December 2020

¹² Spade ready sites are sites that have been properly zoned, and do not require resumption, clearance, re-provisioning of existing facilities, site formation or provision of additional infrastructure.

formation and infrastructural works. The above would normally take a total of around six years or more, while the building of flats required around four years in general. The Administration believed that apart from the rezoning process, other development procedures had to be streamlined. The 2020 Policy Address had suggested expanding the composition and remit of the Steering Group on Streamlining Development Control under the Development Bureau to review more comprehensively as well as expedite the whole development process.¹³

Supply of private housing

17. In view that based on the projection as at end-September 2019, the estimated supply of first-hand private residential flats for the coming three to four years was about 93 000 units,¹⁴ which was close to the 10-year private housing supply target of 129 000 units, some members expressed concern that the Administration would continue to reserve land for catching up with the private housing supply target, while allowing the projected production of public housing to significantly fall behind the supply target. They suggested that the Administration should consider adjusting the public/private split of new housing supply under LTHS from 70:30 to 80:20 or 90:10.

18. The Administration advised that the Government understood the community's keen demand for public housing, and had revised the public/private split of new housing supply under LTHS from 60:40 to 70:30 in 2018. Apart from providing public housing for needy households, maintaining the healthy development of the private residential property market remained one of the policy objectives of the Government. In its annual update of the LTHS supply target, the Administration would review the public/private split of new housing supply, taking into account relevant factors including the demand for different types of housing and the market situation. The Administration would then derive the 10-year supply targets for public and private housing according to the public/private split adopted.¹⁵

Rental market

19. Some members opined that as it would take time to increase public housing production, the Administration should put in place additional

¹³ Government's [press release](#) dated 2 December 2020

¹⁴ LC Paper No. [CB\(1\)278/19-20\(03\)](#)

¹⁵ LC Paper No. [CB\(1\)906/19-20](#)

measures to alleviate the housing difficulties faced by families who were waiting for PRH, such as introducing tenancy control on inadequate housing, providing rent subsidy to grassroots families and tax deduction for rentals on residential properties.

20. The Administration advised that the Transport and Housing Bureau had established a task force to examine the feasibility and viable options for implementing tenancy control on subdivided units. To alleviate the pressure on livelihood faced by low-income households, the Government had 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 were not living in public housing, not receiving the Comprehensive Social Security Assistance ("CSSA") and had been waiting for PRH for more than three years, until these households were offered the first PRH allocation. The Administration was working out the details of the trial scheme for the provision of cash allowance. Before the launch of the trial scheme, the Community Care Fund would put forward two rounds of "one-off living subsidy" in 2020-2021 for the low-income households not living in PRH and not receiving CSSA. As regards the suggestion of providing tax deduction for rental expenses, the Administration believed that such arrangement was not appropriate after careful consideration of its pros and cons.¹⁶

Recent developments

21. On 16 December 2020, the Government released the LTHS Annual Progress Report 2020¹⁷ ("the Report"). Based on the latest projection, the Government has adopted 430 000 units as the total housing supply target for the 10-year period from 2021-2022 to 2030-2031, with the public/private split of 70:30. The supply targets for public and private housing would be 301 000 units and 129 000 units respectively. The key housing targets spelt out in the Report are set out below –

Total housing supply target	430 000 units
Public/private split	70:30

¹⁶ LC Paper No. [CB\(1\)860/19-20\(01\)](#)

¹⁷ The document was issued via LC Paper No. CB(1)387/20-21(01) and is available from the following website of Transport and Housing Bureau: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

Public housing supply target	301 000 units (210 000 PRH/GSH units + 91 000 Other SSFs)
Private housing supply target	129 000 units

22. As announced in the 2020 Policy Address, the Government has identified the 330 ha of land required for providing 316 000 public housing units, representing an increase of 44 000 units over the 272 000 units in the last 10-year period from 2020-2021 to 2029-2030.¹⁸

Latest position

23. The Administration will brief members on the LTHS Annual Progress Report 2020 at the Panel meeting on 14 January 2021.

Relevant papers

24. A list of relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
11 January 2021

¹⁸ LC Paper No. [CB\(1\)387/20-21\(01\)](#)

The key recommendations in the Consultation Document entitled "Building Consensus, Building Homes"

- (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 public rental housing ("PRH") and subsidized sale flats). There is also a need for an increase in the supply of Home Ownership Scheme ("HOS") flats above the number which the Government has pledged.
- (d) Low-income elderly and low-income families on the Waiting List ("WL") should be given priority for PRH and the average waiting time ("AWT") target of about three years for general applicants on the WL for PRH should be maintained. Consideration should be given to refining Quota Points System 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 subdivided units ("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.
- (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.

Source: Paragraph 90 of the Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. [CB\(1\)1705/13-14](#)).

A summary of the views collected during the Consultation

The views collected during the Consultation 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 inadequately housed households;
- (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.

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).

Source: Paragraphs 91-92 of the Report of the Subcommittee on the Long Term Housing Strategy ([LC Paper No. CB\(1\)1705/13-14](#)).

Long Term Housing Strategy

List of relevant papers

Committee	Date of meeting	Papers
Subcommittee on the Long Term Housing Strategy	27 September 2013	<p>Administration's Consultation Document on "Long Term Housing Strategy: Building Consensus, Building Homes" (LC Paper No. CB(1)1756/12-13(01))</p> <p>Administration's paper on "Long Term Housing Strategy Consultation Document" (LC Paper No. CB(1)1818/12-13(01))</p> <p>Information note on "Long Term Housing Strategy" prepared by the Research Office of the Legislative Council Secretariat (LC Paper No. IN27/12-13)</p> <p>Minutes of meeting (LC Paper No. CB(1)1293/13-14)</p> <p>Administration's supplementary information note on "Assessing the Vacancy Situation of Housing Units in Hong Kong" (LC Paper No. CB(1)194/13-14(01))</p> <p>Administration's supplementary information note on "Projection of Long Term Housing Demand" (LC Paper No. CB(1)194/13-14(02))</p>
Subcommittee on the Long Term Housing Strategy	14 March 2014	<p>Administration's paper on "Long Term Housing Strategy Report on Public Consultation" (LC Paper No. CB(1)1053/13-14(01))</p> <p>"Long Term Housing Strategy Report on Public Consultation" published by the Long Term Housing Strategy Steering Committee" (LC Paper No. CB(1)915/13-14(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)1611/13-14)</p>

Committee	Date of meeting	Papers
Panel on Housing	7 July 2014	Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. CB(1)1705/13-14)
Panel on Housing	5 January 2015 and 21 March 2015	Administration's paper on "Long Term Housing Strategy" and "Long Term Housing Strategy Implementation Milestones as at December 2014" (LC Paper No. CB(1)352/14-15(01)) Minutes of meetings (LC Paper No. CB(1)482/14-15 and LC Paper No. CB(1)855/14-15)
Panel on Housing	4 January 2016	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2015" (LC Paper No. CB(1)335/15-16(01)) Minutes of the meeting (LC Paper No. CB(1)601/15-16)
Panel on Housing	9 January 2017	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2016" (LC Paper No. CB(1)350/16-17(01)) Minutes of the meeting (LC Paper No. CB(1)628/16-17) Administration's supplementary information (LC Paper No. CB(1)757/16-17(01)) and (LC Paper No. CB(1)1170/16-17(01))
Panel on Housing	9 January 2018	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2017" (LC Paper No. CB(1)383/17-18(01)) Minutes of the meeting (LC Paper No. CB(1)892/17-18) Administration's supplementary information (LC Paper No. CB(1)696/17-18(01))

Committee	Date of meeting	Papers
Panel on Housing	7 January 2019	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2018" (LC Paper No. CB(1)388/18-19(03)) Minutes of the meeting (LC Paper No. CB(1)1112/18-19)
Panel on Housing	6 January 2020	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2019" (LC Paper No. CB(1)278/19-20(03)) Minutes of the meeting (LC Paper No. CB(1)906/19-20) Administration's supplementary information (LC Paper No. CB(1)860/19-20(01)) & LC Paper No. CB(1)902/19-20(01)