

立法會 *Legislative Council*

LC Paper No. CB(1) 350/04-05(03)

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Panel on Housing

Disposal of surplus Home Ownership Scheme and Private Sector Participation Scheme Flats

Background Brief

Purpose

This paper sets out the background leading to the cessation of the production and sales of the Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) flats, the measures taken and proposed by the Administration to dispose of the surplus flats and views expressed by members of the Council on the issue.

Cessation of production and sale of HOS and PSPS flats

2. The Housing Authority (HA) introduced the HOS and PSPS programmes in 1978 and 1979 respectively to help the eligible households and public housing tenants to purchase flats at discounted prices. HOS flats are constructed and owned by the HA. Under the PSPS, the Government sells land by tenders to private developers who are required to build flats conforming to certain specifications stipulated by the Government. The Conditions of Sale specify the standard of completed PSPS flats and require the successful tenderer to build flats for sale to the HOS target group. Since the introduction of the HOS and PSPS, 300 000 HOS and PSPS flats have been sold, representing over 13% of the total housing stock. The amount of sale flats produced under the HOS and PSPS programmes for the past ten years is in **Appendix I**.

3. Property market reached its peak in mid-1997. However, as a result of developments such as unfavourable global economic conditions, demand for private residential flats drastically dropped and property prices experienced a sharp fall. The Government considered that the major downward price adjustments in the private residential flats brought about an overlap between HOS and private residential market. To address the imbalance between

supply and demand of private residential flats, and to restore the confidence of the public and investors in the property market, the Government introduced a series of measures concerning HOS/PSPS sales.

4. On 27 January 2000 the HA endorsed a gradual and progressive approach to reduce its sale flat production by 4 000, 5 000, 6 000 and 6 000 flats respectively for the four-year period from 2003/04. On 16 June 2000, 16 000 sale flats were transferred to rental use. In September 2001, the Chief Secretary for Administration announced a moratorium on all sales of HOS/PSPS flats until end of June 2002 and that sale of HOS flats after the moratorium would not exceed 9 000 units a year up to 2005-06.

5. At the Council meeting on 13 November 2002, the Secretary for Housing, Planning and Lands (SPHL) delivered a Statement and announced that the Government would recommend to the HA that, except for a small number of unsold and returned HOS/PSPS flats which would be sold to Green Form applicants, the production and sale of HOS/PSPS flats would cease indefinitely from 2003 onwards. For those HOS/PSPS flats that were completed or under construction, the Government would dispose of them through market-friendly means. The unsold and returned HOS/PSPS flats would not be put up for sale before the end of 2006. The intention was to send a clear message to the market that the Government was determined to withdraw from its role as property developer and minimize its intervention in the market. On 28 November 2002, the HA endorsed the recommendation to halt the production and sale of HOS flats and terminate the PSPS. Subsequently the Housing Department set up a task force to consider all feasible options in disposing of the surplus HOS/PSPS flats through market-friendly means.

Stock of surplus HOS and PSPS flats

6. As at the end of September 2003, there were about 25 000 surplus HOS/PSPS flats falling under the following categories –

- (a) Individual unsold or returned flats in HOS blocks – 5 880 flats;
- (b) Unsold blocks in partially occupied/sold HOS courts – 4 739 flats;
and
- (c) Unsold HOS/PSPS developments completed or under construction – 14 744 flats¹.

A detailed breakdown of the surplus HOS/PSPS flats is in **Appendix II**.

¹ Excluding 2 100 flats at Hiu Lam Court which was converted to public rental housing by the HA in May 2003

Disposal of the surplus HOS and PSPS flats

7. Members of the Council expressed grave concern on the disposal of the surplus HOS/PSPS flats and followed up the issue at different forums. Since the announcement of the decision to cease indefinitely the production and sale of HOS/PSPS flats in November 2002, three questions were raised at the Council meetings, on 8 October 2003, 3 December 2003 and 24 March 2004. The Panel on Housing also held a series of meetings to discuss the subject, in particular the disposal arrangements for the two PSPS developments, Hunghom Peninsula and Kingsford Terrace, as summarized in the respective background briefs in (LC Paper Nos. CB(1) 350/04-05(04) and CB(1) 350/04-05(05)). The disposal arrangements for surplus HOS flats and members' views on the subject are set out in the ensuing paragraphs.

Resumption of sale as subsidized housing

8. According to the Administration, unsold or returned HOS flats and unsold blocks in partially occupied/sold HOS courts will continue to be sold to Green Form applicants as their land grants restrict the use of these flats to HOS purpose only. These flats, however, will not be put up for sale as subsidized housing before the end of 2006, as undertaken by the SHPL in the Statement on Housing Policy in November 2002.

9. Many members considered that the suspension of sale of unsold/returned HOS flats and flats in unsold blocks in partially occupied/sold HOS courts until end 2006 was a waste of resources. They were concerned that in addition to the loss of income from the suspended sale, the HA had to incur costs for maintaining these flats. There were also management problems in partially sold HOS courts. In their view, the impact of resuming sale of these HOS flats on the property market would be small. They called on the Administration to resume sale by phases before end of 2006. At the Panel meeting on 3 November 2003, a motion was passed urging the Administration to resume sales of these categories of flats as soon as possible. The wording of the motion is in **Appendix III**.

Sale of HOS/PSPS flats to the Hong Kong Housing Society

10. The Administration had explored the option of selling 1 630 flats in Tung Tao Court at Aldrich Bay to the Hong Kong Housing Society for rehousing purpose. However, agreement could not be reached between the two parties on the major term of the proposed sale. The price offered by the Housing Society fell far short of the Administration's estimated selling price calculated on the basis of the development costs plus an estimated land premium for lease modification. The Administration therefore dropped the proposal.

Conversion to public rental housing

11. The HA approved the conversion of 2 100 flats in Hiu Lam Court in Sau Mau Ping to public rental housing (PRH) in May 2003. According to the Administration, not all HOS flats could be converted to PRH due to layouts and designs which are in variance with the standard PRH. HOS flats are generally bigger in size and most Waiting List (WL) applicants are not eligible for such large flats. In addition, the rents for converted PRH would be higher and would in turn increase the median rent-to-income ratio.

12. Members in general supported the conversion of surplus HOS flats for allocation to WL applicants and for overcrowding relief. Some members considered that the converted flats could be offered to better-off tenants who could afford higher rents. The Panel passed a motion on 3 November 2003 urging the Administration to consider converting unsold HOS developments to public rental housing. The wording of the motion is in **Appendix IV**.

13. Having considered members' views, and taking into account flat size, value of the site and good mix of location, the HA approved the conversion of 2 920 HOS flats to PRH in May 2004. These comprised 1 800 flats in Ko Cheung Court, 400 in Yau Mei Court and 720 in Lam Tin Phase 6.

Use as Government departmental quarters

14. Since March 2003, the HA began discussion with the relevant Government bureaux and departments on the option to use some of the surplus HOS flats for re-provisioning staff quarters for the disciplined services. A proposal was put up to the Panel for discussion on 7 June 2004. Under the proposal, a total of 15 existing old or substandard departmental quarters comprising 4 478 flats were identified suitable for re-provisioning through conversion of 4 304 surplus HOS flats in four developments in Kowloon and the New Territories. The purchase included 538 carparking spaces. The purchase price of \$2,750 million represented the full development costs of the HOS flats and carparking spaces, comprising the actual and estimated construction and project supervision expenses incurred by the HA. Having regard to the Government's commitment to restore its fiscal balance by 2008-09 and the HA's cashflow position, the Administration would pay the purchase price to the HA in 10 annual instalments, that is \$150 million in Money-of-the-Day (MOD) prices per year in the first five years from 2004-05 to 2008-09 and then \$400 million in MOD prices per year from 2009-10 to 2013-14.

15. Whilst supporting the proposal, members of the Panel were concerned about staff consultation and the staff response to the re-provisioning. They stressed the need to consult the affected staff to avoid possible conflicts. The same call was reiterated by members when the proposal was considered and

endorsed by the Public Works Subcommittee (PWSC) on 23 June 2004. Members requested the Administration to immediately consult the relevant staff associations and staff groups on the detailed reprovisioning arrangements and report the results of the consultation to PWSC before the Finance Committee (FC) meeting at which the proposal was considered.

16. When the proposal was put to the FC for consideration on 2 July 2004, members noted that the Complaints Division of the Legislative Council Secretariat received complaints lodged by residents of the affected quarters concerning the reprovisioning proposal. As a case conference on the subject was scheduled for 19 July 2004 and more time was needed to address the concerns raised by the affected staff such as decantation arrangements, the Administration withdrew the funding proposal.

17. The Administration re-submitted the funding proposal to the FC for consideration on 21 July 2004. Members noted that the Administration had undertaken at the case conference to provide half-yearly reports on the progress of reprovisioning and, subject to the availability of resources and according to the existing mechanism, assist those of the affected staff who wished to be relocated in their own district. A joint working group would also be set up by the Administration together with the Disciplined Services Consultative Council and the Junior Police Officers Association to follow up on the details of the implementation of the reprovisioning. With these assurances, members approved the funding proposal.

Use as guesthouses

18. Another option considered by the Administration was to explore the feasibility of converting surplus HOS blocks into guesthouse or similar uses. From 17 October to 14 November 2003, the HA invited expression of interest in the proposal to convert 744 surplus HOS flats in two developments (King Hin Court in Ngau Chi Wan and Block A of Yau Mei Court in Yau Tong) into guesthouses for Mainland visitors.

19. Some members were concerned about the legality of using HOS flats as guesthouses including whether the proposal was within the powers and functions of the HA, whether the proposal would depart from the HA's objective of providing public housing, and whether it was consistent with the Housing Ordinance (Cap. 283) and other relevant legislations. Questions were raised in this respect at the Council meetings on 3 December 2003 and 24 March 2004.

20. According to the Administration, the HA had sought in-house and external advice on the feasibility of the proposal to transfer HOS flats into guesthouses. The advice indicated that the proposal is generally feasible but the detailed arrangements would need to be examined carefully from a legal

perspective to ensure that the proposal is legally sound in all aspects. A total of eight proposals were received from organizations of different natures and scales. Proposals put forward included hostels, hotels and guesthouses, as well as bulk purchase of surplus HOS flats for use as time-share holiday homes. The Administration's assessment was that the majority of the eight proposals came from small operators without the requisite experience and financial capability. Most of them did not take into account the land value of the flats. Based on the financial information provided with the proposals, it was expected that most of them were not commercially viable and could not be pursued further.

21. Members noted that the proposal to use surplus HOS flats as guesthouses was objected to by the hotel operators. On the other hand, it was welcomed by the tourist agency operators. Members urged the Administration to conduct thorough consultation with all relevant parties on the option to reach a win-win situation. They also called on the Administration to study overseas operations to see if there was any successful example of time-share holiday homes. The Administration assured members that if it was decided to implement the proposal to use surplus HOS flats as time-share holiday homes for mainland visitors, the flats will be sold by open tender to ensure that they are disposed of at reasonable market price.

22. A chronology of relevant events and the relevant paper with their hyperlinks are in **Appendices V and VI** respectively.

**Disposal of surplus Home Ownership Scheme
and Private Sector Participation Scheme flats**

**Number of sale flats produced by
the Housing Authority from 1993/94 to 2002/03**

<i>Year</i>	<i>Number of flats</i>
1993/94	24 743
1994/95	4 004
1995/96	19 328
1996/97	16 878
1997/98	12 040
1998/99	18 020
1999/2000	16 558
2000/01	32 714
2001/02	6 620
2002/03	10 742 ²

Source: Housing Authority Annual Report: 2002-2003, page 124.

Council Business Division 1
Legislative Council Secretariat
2 December 2004

² The figure refers to surplus HOS/PSPS flats. The production and sale of HOS flats has ceased indefinitely since 2003, except for a small number of unsold and returned flats which will be sold to Green Form applicants.

Appendix II

Details of surplus Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) flats

List A – Individual unsold or returned flats in HOS blocks (as at September 2003)

Projects	No. of flats
Phase 24A unsold flats	
Lei On Court Stage 1 (Lam Tin)	382
Yu Chui Court Stage 2 (Shatin)	433
Ka Keng Court (Tai Wai)	276
Returned flat in various courts (Position as at 30 September 2003)	4789
Total:	5880

List B – Unsold blocks in partially occupied/sold HOS courts
(as at September 2003)

Projects	No. of flats
Kam Fung Court Stage 3 (Ma On Shan)	1892
Yu Chui Court Stage 3 (Shatin)	1056
Lei On Court Stage 2 (Lam Tin)	831
Tin Fu Court Block J (Tin Shui Wai)	320
Tin Chung Court Blocks K and L (Tin Shui Wai)	640
Total:	4739

List C – Unsold HOS/PSPS projects completed or under construction
(as at June 2004)

Projects	Number of flats	Uses		
		Government Quarters	Public Rental Housing	Guesthouses
HOS				
Ko Cheung Court (Yau Tong)	2800	1000	1800	
Yau Mei Court (Yau Tong)	3872	1992	400	1480
Lam Tin Phase 6	720		720	
Tung Tao Court (Aldrich Bay)	1216			1216
Kwai Chung Phase 7	800	800		
Kwai Yung Court (Kwai Chung)	512	512		
King Hin Court (Ngau Chi Wan)	344			344
Sub-total	10264	4304	2920	3040
PSPS				
Hunghom Peninsula	2470			

Projects	Number of flats	Uses		
		Government Quarters	Public Rental Housing	Guesthouses
Kingsford Terrace (Ngau Chi Wan)	2010			
Sub-total	4480			
Total:	14744			

Council Business Division 1
Legislative Council Secretariat
2 December 2004

**Motion on “Disposal of surplus HOS flats”
passed by the Panel on Housing
at the meeting on 3 November 2003**

(Translation)

“That this Panel urges the Government to sell the HOS flats under Lists A and B referred to in LC Paper No. CB(1)190/03-04(03) to Green Form applicants as soon as possible.”

Council Business Division 1
Legislative Council Secretariat
2 December 2004

**Motion on “Disposal of surplus HOS flats”
passed by the Panel on Housing
at the meeting on 3 November 2003**

(Translation)

“That this Panel urges the Government to consider as soon as possible converting the HOS flats under List C referred to in LC Paper No. CB(1)190/03-04(03) to public rental housing, with the exception of the flats in courts under the Private Sector Participation Scheme and in HOS courts to be used as government departmental quarters and guesthouses.”

Council Business Division 1
Legislative Council Secretariat
2 December 2004

Appendix V

Chronology of events relating to disposal of surplus Home Ownership Scheme (HOS)/ Private Sector Participation Scheme (PSPS) flats

Date	Event
13 November 2002	The Secretary for Housing, Planning and Lands gave a statement on housing policy at the Council Meeting
15 November 2002	The Panel on Housing discussed the statement on housing policy
28 November 2002	The Housing Authority (HA) endorsed the measures contained in the statement on housing policy
6 January 2003	The Panel on Housing discussed the Administration's decision to cease production of HOS
14 January 2003	The Panel on Housing received a briefing from the Secretary for Housing, Planning and Lands on the Chief Executive Policy Address 2003, in which the disposal of surplus HOS was discussed
18 March 2003	The Panel on Housing discussed the disposal of surplus HOS/PSPS flats
May 2003	The HA converted Hiu Lam Court with 2 100 flats to public rental housing
17 October 2003	The HA invited the public to express interest in plans to convert two vacant HOS blocks into guesthouses
3 November 2003	The Panel on Housing discussed the disposal of surplus HOS/PSPS flats
14 November 2003	At the end of the four-week invitation period, the HA received a total eight written submission expressing interests in converting surplus HOS blocks into guesthouses
17 February 2004	The Panel on Housing and the Panel on Planning, Lands and Works discussed the disposal of Hunghom Peninsula PSPS flats

Date	Event
8 March 2004	The Panel on Housing and the Panel on Planning, Lands and Works to discuss the disposal of Hunghom Peninsula PSPS flats
7 June 2004	The Panel on Housing discussed the proposed use of surplus HOS flats for reprovisioning departmental quarters for the disciplined services
23 June 2004	The Public Works Subcommittee (PWSC) endorsed the Administration's funding proposal of \$3,005.4 million in money-of-the-day prices for the purchase of 4 304 surplus HOS flats and 538 ancillary carparking spaces from the HA for reprovisioning flats in 15 existing departmental quarters sites for the disciplined services
2 July 2004	The Finance Committee (FC) discussed the Administration's funding proposal endorsed by the PWSC on 23 June 2004. At the request of members, the Administration agreed to withdraw the proposal, pending the result of the case conference scheduled by the Complaints Division of the Secretariat
5 July 2004	The Panel on Housing discussed the disposal of Kingsford Terrace PSPS flats
19 July 2004	The Complaints Division held a case conference with the Administration regarding the complaints against reprovision of the surplus units of HOS to the disciplined services as departmental quarters
21 July 2004	FC approved the Administration's funding proposal endorsed by the PWSC on 23 June 2004

Disposal of surplus Home Ownership Scheme and Private Sector Participation Scheme Flats

List of relevant papers

Council/Committee	Date of meeting	Paper
Council meeting	13 November 2002	Hansard (http://www.legco.gov.hk/yr02-03/english/counmtg/hansard/cm1113ti-translate-e.pdf)
Housing Panel and Planning, Lands and Works Panel (PLW Panel)	15 November 2002	LC Paper No. CB(1)301/02-03(01) (http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hgplw1115cb1-301-1-e.pdf) Minutes (http://www.legco.gov.hk/yr02-03/english/panels/hg/minutes/hgpl1115.pdf)
Housing Panel	6 January 2003	LC Paper No. CB(1)591/02-03(03) (http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hg0106cb1-591-3-e.pdf) Minutes (http://www.legco.gov.hk/yr02-03/english/panels/hg/minutes/hg030106.pdf)
Housing Panel	14 January 2003	LC Paper No. CB(1)704/02-03(01) (http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hg0114cb1-704-1-e.pdf)

Council/Committee	Date of meeting	Paper
		Minutes (http://www.legco.gov.hk/yr02-03/english/panels/hg/minutes/hg030114.pdf)
Housing Panel	18 March 2003	LC Paper No. CB(1)1129/02-03(04) (http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hg0318cb1-1129-4-e.pdf) Minutes (http://www.legco.gov.hk/yr02-03/english/panels/hg/minutes/hg030318.pdf)
Council meeting	8 October 2003	Hansard (http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm1008ti-translate-e.pdf)
Housing Panel	3 November 2003	LC Paper No. CB(1)190/03-04(03) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg1103cb1-190-3e.pdf) Minutes (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg031103.pdf)
Council meeting	3 December 2003	Hansard (http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm1203ti-translate-e.pdf)

Council/Committee	Date of meeting	Paper
Housing Panel and PLW Panel	17 February 2004	<p>LC Paper No. CB(1)990/03-04(01) (English version only) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217cb1-990-1e-scan.pdf)</p> <p>LC Paper No. CB(1)995/03-04(01) (English version only) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217cb1-995-1e-scan.pdf)</p> <p>LC Paper No. CB(1)1000/03-04(01) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217cb1-1000-1e.pdf)</p> <p>LC Paper No. CB(1)1000/03-04(02) (English version only) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217cb1-1000-2e-scan.pdf)</p> <p>LC Paper No. CB(1)1000/03-04(03) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217cb1-1000-3e.pdf)</p> <p>LS44/03-04 (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217ls-44-e.pdf)</p> <p>LS46/03-04 (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217ls-46-e.pdf)</p> <p>Minutes (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hgpl0217.pdf)</p>

Council/Committee	Date of meeting	Paper
Housing Panel and PLW Panel	8 March 2004	LC Paper No. CB(1)1160/03-04(01) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0217cb1-1160-1e.pdf) LC Paper No. CB(1)1212/03-04(01) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0308cb1-1212-1e.pdf) LC Paper No. CB(1)1238/03-04(01) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hgplw0308cb1-1238-1e.pdf) Minutes (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hgpl0308.pdf)
Council meeting	24 March 2004	Hansard (http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm0324ti-translate-e.pdf)
Housing Panel	7 June 2004	LC Paper No. CB(1)2028/03-004(03) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg0607cb1-2028-3e.pdf) Minutes (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg040607.pdf)
Public Works Subcommittee	23 June 2004	PWSC(2004-05)36 (http://www.legco.gov.hk/yr03-04/english/fc/pwsc/papers/p04-36e.pdf)

Council/Committee	Date of meeting	Paper
		Minutes (http://www.legco.gov.hk/yr03-04/english/fc/pwsc/minutes/pw040623.pdf)
Finance Committee (FC)	2 July 2004	FCR(2004-05)22 (http://www.legco.gov.hk/yr03-04/english/fc/fc/papers/f04-22e.pdf) Minutes (http://www.legco.gov.hk/yr03-04/english/fc/fc/minutes/fc040702.pdf)
Housing Panel	5 July 2004	LC Paper CB(1)2291/03-04(01) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg0705cb1-2291-1e.pdf) Minutes (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg040705.pdf)
FC	21 July 2004	FCR(2004-05)28 (http://www.legco.gov.hk/yr03-04/english/fc/fc/papers/f04-28e.pdf) Minutes (http://www.legco.gov.hk/yr03-04/english/fc/fc/minutes/fc040721.pdf)