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Panel on Housing

**Disposal of Kingsford Terrace
Private Sector Participation Scheme Flats**

Background brief

Purpose

This paper provides background to the disposal of Kingsford Terrace Private Sector Participation Scheme (PSPS) flats and members' views on the subject.

Kingsford Terrace PSPS Project

2. PSPS is one form of subsidized ownership home introduced by the Government in 1977 to supplement the Home Ownership Scheme (HOS) by inviting the participation of private developers. Unlike HOS flats which are owned by the Housing Authority (HA), PSPS developments are owned by the developer. Under the PSPS, private developers are invited to tender for housing sites on which they are required to build flats conforming to certain specifications stipulated by the Government. Like other Government land sales, the land title of a PSPS site is vested in the developer. The developer holds legal title to the land lot, owns the residential units, the car parking spaces and commercial facilities it builds under the same lease. The obligations of the contracting parties are stipulated in the Conditions of Sale for the housing site. Under the Conditions of Sale for PSPS projects, the HA is named to nominate eligible purchasers to purchase the flats from the developer concerned within a specified period. In the event that flats are unsold at the end of the specified period, the HA is obliged to purchase the flats at the guaranteed purchase price.

3. Kingsford Terrace comprised a total of 2 010 flats, 337 car parking spaces and a shopping area of 1 880 m². The total saleable floor area of the flats is about 100 058 m². The guaranteed purchase price for all the flats was about \$1,441 million (calculated on the basis of \$14,400 per m² of saleable

area). Under the Land Grant, the HA should nominate eligible home purchasers to purchase the flats within 20 months from the date of the Consent to Sell, which was issued on 10 October 2002.

4. In November 2002, the Government decided to cease indefinitely the production and sale of HOS/PSPS flats from 2003 onwards 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. Detailed information on the Government's decision is set out in the Background Brief entitled "Disposal of surplus Home Ownership and Private Sector Participation Scheme flats" in LC Paper No. CB(1) 350/04-05(03). Kingsford Terrace was one of the two PSPS projects which need to be disposed of pursuant to the decision to terminate PSPS.

Disposal options

5. According to the Administration, it had explored a number of options on how Kingsford Terrace should be disposed of. These include the following:

- (a) Government to negotiate with the developer to allow it to dispose of the flats in the open market, subject to payment of a lease modification premium;
- (b) HA to purchase the entire development and sell it to Government for use as departmental quarters;
- (c) HA to purchase the entire development and sell it to Government for future resale in the open market through tender/auction;
- (d) HA to purchase the entire development and create a new type of HA's public rental housing for the well-off tenants; and
- (e) HA to purchase the entire development for disposal as HOS flats after 2006.

Negotiation with the developer

6. Members were briefed of the various disposal options at the joint meeting of the Panel on Housing and the Panel on Planning, Lands and Works at which the disposal of another PSPS project, Hunghom Peninsula, was discussed on 8 March 2004. Members called on the Administration to take note of the recovery of the property market and exercise more flexibility in deciding how the Kingsford should be disposed of. They also stressed the

importance of transparency and in safeguarding public interests in the disposal process.

7. Having examined the pros and cons of the various options, the Administration considered that the best way was to negotiate with the developer to allow it to dispose of the flats in the open market, subject to payment of a lease modification premium. The approach was agreed by the HA's Subsidized Housing Committee. In May 2004 the Administration commenced negotiation through mediation with the developer. However, the Administration could not come to terms with the developer on lease modification premium and agreement could not be reached.

Purchase of the development

8. On 19 May 2004 the HA's Subsidized Housing Committee decided to purchase all the 2 010 residential units from the developer at the guaranteed purchase price in accordance with the Conditions of Sale. As regards the non-domestic portion of the Kingsford Terrace, the HA agreed to continue negotiation with the developer through mediation on the possibility of purchasing at a reasonable price to facilitate the future disposal.

9. The Administration reported the purchase of the development to the Panel on Housing on 5 July 2004. Members urged the Administration to come up expeditiously with the decision on how the residential units would be disposed of. Members took note that under the relevant Condition of Sale, the HA was not under any obligation to purchase the non-domestic portion of Kingsford Terrace and that purchase of the non-domestic portion was not a prerequisite for disposal of the residential units through sale by tender or auction.

Latest development

10. The Administration reported to HA's Subsidized Housing Committee in July 2004 that the negotiation with the developer on the purchase of the non-domestic portion of Kingsford Terrace had not been successful.

11. The relevant papers on the subject together with their hyperlinks are in the **Appendix**.

Disposal of Kingsford Terrace Private Sector Participation Scheme Project

List of relevant papers

Council/Committee	Date of meeting	Paper
Housing Panel	10 September 2001	<p>A Statement on Housing http://www.legco.gov.hk/yr00-01/english/panels/hg/papers/cs-e.pdf</p> <p>Appendix II to LC Paper No. CB(1)251/01-02 http://www.legco.gov.hk/yr00-01/chinese/panels/hg/papers/251ce-a.pdf</p> <p>LC Paper No. CB(1)1983/00-01(01) http://www.legco.gov.hk/yr00-01/english/panels/hg/papers/a1983e01.pdf</p> <p>Minutes http://www.legco.gov.hk/yr00-01/english/panels/hg/minutes/hg010910.pdf</p>
Council meeting	13 November 2002	<p>Hansard http://www.legco.gov.hk/yr02-03/english/counmtg/hansard/cm1113ti-translate-e.pdf</p>
Housing Panel and Planning, Lands and Works Panel (PLW Panel)	15 November 2002	<p>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</p>

Council/Committee	Date of meeting	Paper
		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) 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)
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)

Council/Committee	Date of meeting	Paper
		Minutes (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg031103.pdf)
Housing Panel and PLW Panel	8 March 2004	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)
Housing Panel	5 July 2004	LC Paper No. 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)

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