

立法會

Legislative Council

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Panel on Development and Panel on Housing

**Minutes of joint meeting
held on Friday, 9 November 2012, at 9:30 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Members of the Panel on Development

- Dr Hon LAU Wong-fat, GBM, GBS, JP (Chairman)
- * Hon Tony TSE Wai-chuen (Deputy Chairman)
- * Hon James TO Kun-sun
- Hon CHAN Kam-lam, SBS, JP
- * Hon Abraham SHEK Lai-him, SBS, JP
- Hon Cyd HO Sau-lan
- Hon CHAN Kin-por, BBS, JP
- Dr Hon Priscilla LEUNG Mei-fun, JP
- * Hon IP Kwok-him, GBS, JP
- Hon Mrs Regina IP LAU Suk-ye, GBS, JP
- * Hon Alan LEONG Kah-kit, SC
- Hon Albert CHAN Wai-yip
- Hon Claudia MO
- * Hon Michael TIEN Puk-sun, BBS, JP
- Hon James TIEN Pei-chun, GBS, JP
- * Hon WU Chi-wai, MH
- Hon Gary FAN Kwok-wai
- Hon CHAN Chi-chuen
- Hon CHAN Han-pan
- Dr Hon Kenneth CHAN Ka-lok
- * Hon LEUNG Che-cheung, BBS, MH, JP
- * Hon Kenneth LEUNG
- * Hon Alice MAK Mei-kuen, JP
- * Dr Hon KWOK Ka-ki

- * Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon CHIANG Lai-wan, JP
- * Ir Dr Hon LO Wai-kwok, BBS, MH, JP

Members of the Panel on Housing

- Hon WONG Kwok-hing, MH (Chairman)
- # Hon Frederick FUNG Kin-kee, SBS, JP (Deputy Chairman)
- Hon LEE Cheuk-yan
- Hon LEUNG Yiu-chung
- Dr Hon Joseph LEE Kok-long, SBS, JP
- Dr Hon LAM Tai-fai, SBS, JP
- Hon Paul TSE Wai-chun, JP
- Hon WONG Yuk-man
- Hon KWOK Wai-keung
- Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Members attending : Hon Ronny TONG Ka-wah, SC
Hon Charles Peter MOK

Members absent : Members of the Panel on Development

- Hon Emily LAU Wai-hing, JP
- * Hon LEUNG Kwok-hung
- Hon CHAN Hak-kan, JP
- Hon CHAN Yuen-han, SBS, JP

Members of the Panel on Housing

Hon Vincent FANG Kang, SBS, JP

- * Also members of the Panel on Housing
- # Also a member of the Panel on Development

Public Officers attending : **For item II**

Transport and Housing Bureau

Professor Anthony CHEUNG Bing-leung, GBS, JP
Secretary for Transport and Housing

Mr D W PESCOD, JP
Permanent Secretary for Transport and Housing (Housing)

Miss Agnes WONG Tin-yu, JP
Deputy Secretary for Transport and Housing (Housing)

Development Bureau

Mr Paul CHAN Mo-po, MH, JP
Secretary for Development

Mr Thomas CHAN Chung-ching, JP
Deputy Secretary for Development (Planning and Lands) 1

Clerk in attendance : Ms Sharon CHUNG
Chief Council Secretary (1)6

Staff in attendance : Ms Miranda HON
Chief Council Secretary (1)1

Mrs Mary TANG
Senior Council Secretary (1)1

Mr Anthony CHU
Senior Council Secretary (1)6

Miss Lilian MOK
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

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I. Election of Chairman

Dr LAU Wong-fat, Chairman of the Panel on Development, was elected Chairman of the joint meeting.

II. The short to medium term housing and land supply measures announced by the Chief Executive on 30 August 2012

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(LC Paper No. CB(1)128/12-13(01) — Administration's paper on the short to medium term housing and land supply measures announced by the Chief Executive on 30 August 2012

LC Paper No. FS11/12-13
(*Chinese version only*) — Paper on "A summary of press reports on views and concerns expressed by different sectors of the community regarding the latest short to medium term housing and land supply measures from 30 August 2012 to 5 November 2012" prepared by the Legislative Council Secretariat (Fact sheet))

2. The Secretary for Transport and Housing ("STH") and the Secretary for Development ("SDEV") briefed members on the details and progress of the ten housing and land supply measures announced by the Chief Executive ("CE") on 30 August 2012 to tackle the housing issues under their respective purview by highlighting the salient points of the information paper.

(*Post meeting note: The speaking notes of STH and SDEV were circulated to members vide LC Paper No. CB(1)170/12-13 on 14 November 2012.*)

Land supply

Increasing the supply of housing land

3. Mr Albert CHAN said that he was disappointed with the land and housing policy in Hong Kong. The inadequate production of private and public housing had resulted in soaring property prices and a long waiting list for public rental housing ("PRH"). He requested the Administration to provide information on the land supply in the next three to five years. Dr LAM Tai-fai also said that the Administration had the responsibility to apprise the public of its land reserve. It should set out a timetable for land supply and housing production with details of the quantity and location for public reference. SDEV responded that the Administration had adopted a

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multi-pronged approach with short, medium and long term measures to increase housing land supply. While the land to be made available for sale in the following year would be set out in the land sales programme, the land supply for the next three years could not be made public as it was market sensitive information, the disclosure of which would not be in the public interest.

4. Dr Fernando CHEUNG noted with concern that despite the sale of 46 sites in the past two years, construction had commenced in only one of the sites. He would support the levy of tax on vacant land such that developers would develop their land in a timely manner. He was also concerned that some government sites had been illegally occupied for use as columbaria and he would support the resumption of those sites for housing production.

5. SDEV clarified that from April 2010 to October 2012, the Government had sold 48 sites. Developers had submitted building plans for 42 of the sites and 22 had been approved. Eight had been rejected as they failed to comply with building regulations. Five had been approved by the Buildings Department for commencement of superstructure works while 12 had commenced piling works. In addition, two applications for sale of uncompleted flats had been received. As the Government had imposed a building covenant in the land leases to govern the completion date of the projects, developers would have to complete their developments in a timely manner. The Deputy Secretary for Development (Planning and Lands)1 ("DS/DEV(PL)1") added that the Development Bureau would liaise with the Food and Health Bureau and relevant departments in taking any necessary enforcement actions against illegal occupation of government sites for use as columbaria.

6. Mr Alan LEONG enquired if consideration would be given to using the land reserved for small houses to develop multi-storey blocks to satisfy the ownership rights of indigenous villagers, thereby releasing more land for housing production. Noting that some developers had been hoarding land and deferring development, he enquired if administrative measures could be introduced against such practice. SDEV agreed to take members' views into account upon the review of the Small House Policy which had been adopted for nearly 40 years, subject to extensive consultation with stakeholders. He explained that developers were required under the building covenant to develop the land within a specified time frame in accordance with the land sale or lease conditions. However, the same would not apply to agricultural land when such land should remain for agricultural use where no development should take place and no time frame for such would be set.

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7. Dr KWOK Ka-ki pointed out that the short to medium term housing and land supply measures announced by CE on 30 August 2012 could only produce about 20 000 flats, which fell short of the 60 000 flats produced before 1997. The Long Term Housing Strategy ("LTHS") would not be able to resolve the more immediate housing shortage problem. He enquired about the measures to be adopted by the Government to tackle the problem of land hoarding by developers. He also enquired about the availability of disposed sites and whether the land on the Application List could be used to develop public housing. He opined that STH and SDEV should be held accountable for the inadequacy in the provision of housing.

8. SDEV said that members might refer to the Application List for the disposed sites available. The Application List would list out the sites available for sale on a yearly basis and the sites to be sold would be adjusted in response to market demand. Meanwhile, it had been an established practice to announce the quarterly land sale programme in advance. STH said that the Government attached great importance to the provision of land for housing and efforts would be made to increase the housing supply. Some of the sites on the Application List could be initiated for sale by the Government.

9. Mr WU Chi-wai noted that there would be about 2 500 hectares of land available for residential development. He enquired if efforts could be made to expedite the development of potential sites into disposed sites to enable early production of housing. He said that the Housing Authority ("HA") could be tasked with the responsibility for developing the potential sites into public housing.

10. SDEV said that the Planning Department had been conducting planning studies on 2 500 hectares of land covering new development areas such as North East New Territories ("NENT"), Hung Shui Kiu, Tung Chung, Anderson Road Quarry and Pat Heung, etc. It would be exploring the possibility of converting into housing land those sites in North District and Yuen Long currently used mainly for industrial purposes or temporary storage. Meanwhile, the use of industrial sites, green belts and "Government, Institution or Community" ("GIC") sites would also be reviewed. The Development Bureau would work closely with the Transport and Housing Bureau on the provision of land for housing. The Permanent Secretary for Transport and Housing (Housing) ("PSTH(H)") said that the Housing Department ("HD") had been performing a coordinating role in the development of public housing sites. It had been cooperating with other government departments as well as relevant outside agencies to speed up the delivery of public housing projects.

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11. Mr Gary FAN said that it was his understanding that the Government had planned to increase the plot ratio of four sites at Tseung Kwan O ("TKO") South in order to meet the demand for residential flats. However, he noted from the information paper provided to the District Council that some of the sites with increased plot ratio were meant for commercial and not residential use. He was also aware that of the 14 residential sites to be developed at TKO South, 13 were for private residential housing and only one was for public housing. He enquired if the use of those sites could be changed so that more land could be used to develop Home Ownership Scheme ("HOS") flats to meet public demand. He also enquired if the use of the 800 hectares of agricultural land which had been deserted or used as temporary storage could be optimized. He considered it necessary that the Government should make known the land supply in the next five to 10 years. SDEV responded that the "Hong Kong 2030: Planning Vision and Strategy" had briefly outlined the land supply for the next five to 10 years. He agreed to look into the possibility of using some of the sites at TKO South for the development of HOS. He also said that the four sites at TKO South with increased plot ratio were meant for residential use.

12. Mr Ronny TONG was concerned about the frequent changes in land policy over the years and the lack of planning in the longer term. He enquired whether the current term of Government would still pursue the development of rock caverns and reclamation outside the Victoria Harbour as advocated by the last term of Government. He also enquired about the amount of land, apart from that provided in NENT, which could be used in the short term for the development of public housing.

13. SDEV replied that increasing land supply through development of rock caverns and reclamation outside the Victoria Harbour would continue to be pursued. The Shatin Sewage Treatment Works would be re-provisioned within a rock cavern such that the existing site could be redeveloped for other uses. As regards reclamation outside the Victoria Harbour, he advised that the first round of public consultation had just been completed. A report setting out the views received on the scale and location of reclamation was under preparation. The development of NENT, which had been initiated by the last term of Government, would continue to be pursued by the present term of Government. On land policy, SDEV said that there would be a steady supply of land to ensure the healthy and stable development of the property market. The short to medium term housing and land supply measures announced by CE on 30 August 2012 as well as the further measures to address the overheated property market were meant to increase the housing supply and to stabilize the property market. On the provision of

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land for housing, he said that sufficient land would be provided for the development of 15 000 PRH flats and 5 000 HOS flats.

14. Mr Tony TSE expressed support for the government-initiated quarterly land sale programme for the sale of government sites. He considered it necessary that the Administration should make known the amount of land in the land reserve which was available for development, so that the public could have knowledge of the land supply to meet the housing demand. He would support the phased developments of Comprehensive Development Areas ("CDA") in an attempt to expedite the development process such that the sites within CDA which were ready for development could be proceeded with ahead of time. There was also a need to relax the plot ratio of residential developments in the New Territories to provide more flats to meet the housing demand. SDEV agreed to look into the improvements that could be made to the quarterly land sale programme and the development of CDA. Meanwhile, efforts had been made to relax the plot ratio of residential developments as in the case of TKO South, taking into account the constraints of existing transport and drainage systems, etc.

15. Mr Abraham SHEK said that the Government had been maintaining high land prices by limiting the land offered for sale, as a result of which land and property prices had been pushed up. It had, however, blamed developers for the escalating property prices and had since introduced drastic measures to quell the property market. Although short and medium term housing and land supply measures were introduced, they were not matched with the needed policies to facilitate implementation. By way of illustration, a high land premium had to be paid for the conversion of industrial buildings/land for residential use. He pointed out that measures should be adopted to facilitate the change of land use so that more land in private ownership, particularly those in the New Territories, could be made available for public housing. Besides, the Government should work in partnership with private landowners in the development of public housing. He further said that the Administration would need to explain why it had not heeded the request of the Real Estate Developers Association for the provision of more land for housing back in 2007 and had only made efforts to increase housing land supply recently. STH agreed on the need for cooperation with private landowners in the development of housing.

16. Dr KWOK Ka-ki shared Mr SHEK's concern about the high land price policy maintained by the Government. He would support that more government sites, including those on the Application List, be used for public housing production to meet the housing demand of the applicants on the General Waiting List. SDEV said that the land sale target for the current year

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was to ensure the supply of sufficient land for producing about 20 000 private residential flats. It was not the Administration's policy to maintain high land prices and any developer could apply for development of the sites on the Application List. He further said that there had been precedent cases where the sites on the Application List were used to develop public housing.

17. Mr Frederick FUNG suggested that to increase the supply of housing land, the Administration could consider the redevelopment of aged PRH estates, relaxation of plot ratios and removal of height restriction in areas formerly under the flight path to be redeveloped through urban renewal, and use of idled sites on the Application List to develop public housing. PSTH(H) responded that in addition to redeveloping aged PRH estates such as the Pak Tin Estate, consideration would be given to renovating some estates with a view to upgrading them and increasing the provision of PRH flats. DS/DEV(PL)1 undertook to reflect Mr FUNG's views on urban renewal projects to the Urban Renewal Authority ("URA") for consideration. He stressed that while the land on the Application List was mostly sold for private residential development, there had been cases where sites on the Application List were changed to be used to develop public housing.

Conversion of industrial buildings/land for residential use

18. Mr James TIEN said that administrative measures should be introduced to expedite the conversion of industrial buildings/land for residential use. Mr Paul TSE shared the view that more effort should be made to facilitate the conversion. He was also concerned about the mismatch in land use where urban industrial sites were to be converted for residential use while land suitable for residential use in the New Territories was used for industrial purposes. Mr Michael TIEN said that since the designs and fittings of industrial buildings were very much different from those of residential buildings, a lot of structural changes would have to be made in the conversion of industrial buildings for residential use.

19. SDEV said that the change of land use had to follow the statutory procedures specified under the Town Planning Ordinance (Cap. 131). Land premium would have to be paid for converting industrial land for residential use. To help address the shortage of housing supply in the short and medium term, the Government was exploring possible ways to overcome the technical difficulties in the context of the policy on revitalization of industrial buildings.

20. Mr CHAN Kam-lam was concerned about the bureaucratic hurdles for redevelopment projects. By way of illustration, the land resumption process of URA was overly long, resulting in delayed housing production. The Yau

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Tong Bay redevelopment project at Kwun Tong had been dragged on for over 10 years but construction had yet to commence. There was hence a need to streamline the land resumption process with a view to expediting housing production. Mr CHAN further said that he had received complaints about the many problems associated with conversion of industrial buildings. There was apparently a lack of coordination on the different requirements for conversion, including fire safety and other building requirements. As such problems had dampened the revitalization of industrial buildings, there was a need for relevant departments to jointly work out a mechanism to resolve them.

21. SDEV responded that URA had to comply with the statutory requirements in implementing urban renewal projects. Owners of aged buildings could apply to URA for redevelopment under a pilot scheme. Two target industrial buildings had been identified for redevelopment within the current financial year. The conversion of buildings from industrial to residential use would involve adaptive requirements under fire safety and building regulations. The Administration would provide necessary assistance to facilitate the redevelopment process and would follow up on the Yau Tong Bay redevelopment project. DS/DEV(PL)1 added that planning and engineering studies would usually have to be undertaken prior to the implementation of redevelopment projects, and such would be followed by public consultation and participation at different stages of the redevelopment process, all of which were time consuming. Notwithstanding the difficulties, efforts would be made to expedite the redevelopment process as far as practicable.

22. Mr LEE Cheuk-yan was concerned that the rentals of industrial buildings would escalate once their potential of conversion into residential use was realized. He sought clarification on whether the revitalization of industrial buildings was meant for "transitional accommodation" use. SDEV replied that the Administration was exploring the wholesale conversion of industrial buildings for "transitional accommodation" use on an interim basis as a stop gap measure. Land premium would have to be paid for the wholesale conversion of industrial buildings to residential use on a permanent basis. As the present proposal aimed at wholesale conversion, the impact on the rentals of individual industrial units should be relatively indirect.

23. Mr Christopher CHUNG pointed out that the proposed conversion of Chai Wan Factory Estate ("CWFE") for PRH use was in conflict with the aspiration of the Eastern District Council ("EDC"), which was in support of conservation of CWFE for use by young people for developing creative industries or for use by non-government organizations. He questioned the justifications for the proposed conversion which would only provide 180

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PRH flats. Besides, the open kitchen concept of the converted PRH flats might not be welcomed by tenants who would expect to occupy the flats on a long term basis. He hoped that the proposed conversion would be brought back to EDC for further discussion. STH said that efforts would be made to strike a balance between conservation and development in the conversion of CWFE and HD had maintained close liaison with EDC. PSTH(H) added that EDC had clearly indicated its preference for preserving and retaining CWFE. The proposed conversion would provide additional supply of PRH flats with individual bathrooms and kitchens which would be well received by tenants.

24. Ir Dr LO Wai-kwok was also concerned that the proposed conversion of CWFE could only provide 180 PRH units. He considered that a much larger number of PRH units could be provided if CWFE was redeveloped. He enquired whether the proposed conversion was meant to be a transitional arrangement, given the general consensus that industrial buildings should best be converted for use by young people for developing creative industries. STH responded that there were diverse views on the development of CWFE with some preferring demolition in order to provide more PRH units, while others supported its conservation and retention as it was the first industrial building in Hong Kong. If CWFE was to be retained, less PRH units could be provided. The Administration would try to strike a fair balance in consultation with EDC. PSTH(H) added that the proposed conversion of CWFE to provide 180 PRH units, if proceeded with, would not be of a transitional nature. The converted units would become part of the traditional housing stock.

25. Dr Joseph LEE shared the concern that the proposed conversion of CWFE, together with the some urban redevelopment projects undertaken by URA, would only produce a few hundred PRH units and could not meet the demand for PRH. He enquired if better use could be made of the vacated industrial buildings for housing purposes, particularly when most of them were conveniently located in districts with good transport network. He also supported the introduction of more concrete measures to facilitate the conversion of industrial buildings/land for residential use.

26. STH said that in order to preserve CWFE, there would not be much structural change in the proposed conversion. Hence, only a limited number of PRH flats could be produced. DS/DEV(PL)1 added that planning studies to review the use of industrial sites had been carried out, taking into account the developments in the surrounding areas. As a result of the planning review in 2009, a number of industrial sites had been converted for residential and commercial uses. Measures were also in place to incentivize and facilitate owners of industrial buildings to revitalize their buildings.

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27. Mr WONG Kwok-hing welcomed the proposed conversion of CWFE for PRH use. He supported that new measures be introduced to provide more public housing. He enquired whether consideration would be given to renting or buying vacated industrial buildings for the development of interim housing to meet the housing needs of applicants on the General Waiting List. SDEV said that the Administration would try to facilitate the conversion of industrial buildings for residential use, but there was a need to overcome the technical difficulties under the building and land lease control regimes. While the Administration was exploring the wholesale conversion of industrial buildings to "transitional accommodation" use, currently there was no plan to buy or rent industrial buildings for use as interim housing.

28. Mr Charles Peter MOK said that the revitalization of industrial buildings had brought about speculative activities, resulting in higher rentals and operating costs for small and medium enterprises ("SMEs"), such as those engaged in information technology and other creative industries, which had been renting industrial units. He supported that better planning should be put in place to enable SMEs operating at industrial buildings to have a stable business environment and to prevent them from being forced to move out as a result of rising rentals. DS/DEV(PL)1 explained that under the Town Planning Ordinance, approval had to be sought from the Town Planning Board for the conversion of industrial buildings/land to other non-industrial uses. Some of the applications included conversion for development of hotels and cultural industries. Such changes in land uses were market driven and would depend on market demand.

Conversion of 36 GIC and other government sites to residential use

29. Mr LEE Cheuk-yan enquired about the location of the 36 GIC and other government sites which were proposed for conversion to residential use as well as the number of private and public housing units which could be produced from the conversion. Dr Fernando CHEUNG noted that of the 36 GIC sites, 26 sites had yet to undergo zoning change for residential use. He enquired whether the conversion of those sites would affect the development of community and medical facilities, in particular the planning for three hospitals in the Kai Tak Development Area.

30. SDEV said that of the 36 GIC sites, 10 had already undergone zoning changes while public consultation and other preparatory works had to be undertaken for the remaining 26 sites. Hence, their location could not be published at this stage. It was estimated that about 7 000 public housing units and 4 900 private housing units would be produced from the proposed

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conversion of the 36 GIC and other government sites. He assured members that the three hospitals in the Kai Tak Development Area were not within the 36 GIC and government sites.

"Hong Kong Property for Hong Kong People" ("HKPHKP") policy

31. Dr LAM Tai-fai considered that there was a need to define Hong Kong people under the HKPHKP Policy as new arrivals from the Mainland would become Hong Kong permanent residents ("HKPRs") after residing in Hong Kong for seven years, but they could be well-off and did not require assistance. DS/DEV(PL)1 said that Hong Kong people would refer to HKPRs. For land sale sites subject to the HKPHKP measure, the current plan was to impose land sale conditions to restrict the sale and re-sale of flats built on such sites to HKPRs for 30 years.

32. Mr James TIEN said that properties sold under the HKPHKP policy should be restricted to first-time homebuyers. Sharing similar views, Mr Michael TIEN said that while the HKPHKP policy would give priority to HKPRs, it would not differentiate between property purchases for investment or home ownership, which was contrary to the intended purpose of meeting the housing needs of Hong Kong people. There was a need to impose conditions in the policy to give priority to first-time homebuyers for acquiring homes. He considered that local investors would continue to speculate properties due to the low interest rate environment with the pegging of Hong Kong dollar against the US dollar. He also enquired about the legal basis for restricting the sale and re-sale of flats under the policy to HKPRs for 30 years and whether such requirement would be binding on future terms of Government.

33. DS/DEV(PL)1 responded that the HKPHKP measure was meant to give priority to Hong Kong people. As the policy was not intended as a subsidized housing policy, no restriction would be imposed on the buyers' status and their usage of properties. There would be implementation difficulties if too many restrictions were imposed. The Administration was working out the implementation details and was planning to incorporate relevant land sale conditions into two sites located at the Kai Tak Development Area. There would not be any targets on the number of flats to be provided under the policy.

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Housing supply

Production level of PRH

34. Mr Christopher CHUNG enquired if the Administration had plans to increase the land supply for public housing in order to meet the target of maintaining an average waiting time of three years for General Waiting List applicants. STH explained that the target of maintaining an average waiting time of three years had been kept by the Administration. There were however cases with longer waiting time due to various reasons, for example, particular preference for certain districts and changes in circumstances which had affected the applicants' eligibility, etc. PSTH(H) said that the Development Bureau and relevant departments had been trying to identify sites for development of public housing. Efforts had been made to expedite the PRH development programme by compressing the development programme to about four and a half years. SDEV said that the Development Bureau had been coordinating with the Transport and Housing Bureau in taking short, medium and long term measures to increase the supply of housing land.

35. Mr WONG Kwok-hing said that there was a need to expedite PRH production with a view to shortening the average waiting time for the over 200 000 General Waiting List applicants. Referring to his motion on "Perfecting housing policy and resolving public housing need" as amended by Mr James TIEN, which was carried at the Council meeting on 7 November 2012, he said that members were in support of measures to reduce the average waiting time for PRH. STH said that of the 200 000 applicants on the Waiting List, about 43% of them were non-elderly one-person applicants under the Quota and Points System ("QPS"). While priority would be given to families in the allocation of PRH, LTHS would explore the feasibility of according priority to non-elderly one-person applicants of a higher age group under QPS. At present, the target to maintain the average waiting time at around three years for the general applicants on the Waiting List was still kept. The Administration would strive to identify more land for PRH in order to meet the target.

36. Ir Dr LO Wai-kwok also referred members to the motion carried at the Council meeting on 7 November 2012 requesting for an increase in the annual production of PRH flats to 30 000, which would reduce the average waiting time for General Waiting List applicants to two years. He enquired about the number of PRH flats which could be produced in the next five years. PSTH(H) said that there were committed PRH projects for the next five years which would provide over 75 000 PRH units. The housing production

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beyond the next five years would be worked out in consultation with the Development Bureau and Lands Department based on the availability of land.

37. Dr Fernando CHEUNG said that there was a need for more concrete measures to address the overheated property market. He said that despite the announcement of the ten housing and land supply measures by CE on 30 August 2012, the property prices and rentals had continued to soar. As over 70 000 people were living in dilapidated conditions in cubicles and subdivided flats, there was a need to increase the supply of PRH flats beyond the annual target production of 15 000 (which was only half as much as compared to the annual production in the 1980s and early 1990s). Otherwise, it would take 16 years to clear the long waiting list of PRH applicants which had reached 200 000. He supported that there should be a timetable for increasing PRH production. There was also a need to address the vacancy rate of PRH flats which stood at 1.6% or over 10 000 flats. With rentals increasing at an average rate of 57% from 2009 to 2012 (or 61% increase for flats with an area less than 400 square feet), measures should be introduced to assist tenants in finding affordable accommodation if rent control would not be reinstated.

38. STH acknowledged the concerns about the increasing number of applicants on the Waiting List for PRH and agreed on the need to provide more public housing to meet the demand. He said that the 1% vacancy rate of PRH flats was considered to be relatively low. Some of the units were left vacant because the tenants had just moved out while others were vacated for renovation purposes. The Express Flat Allocation Scheme was launched once a year to speed up the allocation of less popular flats, thereby reducing the vacancy rate. There were diverse views on the reinstatement of rent control and a cautious approach would be taken. As to the problem of subdivided flats, SDEV said that priority would be given to the clearance of subdivided flats with building and fire safety hazard. The Buildings Department would conduct regular inspections and take enforcement actions as appropriate.

39. Mr Paul TSE said that he had reservations about the implementation of drastic measures to address the overheated property market or the reinstatement of rent control on account of their implications on the free market economy. He would however support measures which would reduce the housing demand. He pointed out that with the relaxation of the residence requirements for Old Age Allowance and Comprehensive Social Security Allowance, elderly recipients could choose to relocate their homes to the Mainland. Tax incentives could also be introduced to encourage those who had retired to move to the Mainland, thereby relieving the pressure on

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housing. STH agreed on the need to optimize the use of resources.

40. Mr LEUNG Yiu-chung said that the current term of Government had not raised the housing production target of 15 000 PRH flats, which was set by the previous term of Government, but had merely compressed the housing construction schedule from five to about four years. Such production level would not be able to meet the housing demand of the 200 000 applicants on the General Waiting List for PRH. He was also concerned that in an attempt to increase the availability of PRH flats, administrative measures would be stepped up to recover flats from better-off tenants who had exceeded the income and asset limits. He urged for an increase in the production target of PRH flats to meet the increased demand. To this end, the Administration should consider using the available land on the Application List for development of public housing.

41. STH responded that the increasing number of applicants on the Waiting List for PRH had exerted pressure on housing production and the Administration would be prepared to review the supply and demand for public housing in the context of LTHS. Many PRH flats were recovered from tenants who had moved out or had upgraded themselves. SDEV reiterated that there were precedent cases where sites on the Application List were changed to be used for developing public housing. He said that apart from supplying land for public housing, sufficient land would have to be provided to meet the demand for private housing.

42. Mr LEUNG Yiu-chung and Mr Frederick FUNG considered it necessary that the annual target production of 15 000 PRH flats and the pledge of maintaining the average waiting time for applicants on the General Waiting List at three years be reviewed without having to await the outcome of LTHS. Their views were shared by Mr LEE Cheuk yan, who was concerned that given the lead time of housing production, any increase in the target PRH production would take time to implement, and sufficient land would have to be identified in advance to meet the increased production level. STH explained that given that the number of PRH applications on the Waiting List was on the rise and housing land resources remained tight, the target of average waiting time should not be shortened abruptly at this stage. He agreed on the need to review the annual target production of PRH. Close cooperation would be sought from the Development Bureau to identify more land for public housing. PSTH(H) said that efforts would be made to speed up the delivery of PRH flats. There was a need for sufficient land which was ready for development. It would take about four and a half years for the planning and construction of PRH projects.

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43. Mr WONG Kwok-hing requested the Administration to tabulate the following information relating to the supply of residential units and land in Hong Kong in two five-year periods, i.e. from 2012-2013 to 2016-2017 and from 2017-2018 to 2021-2022 –

- (a) the respective numbers and size of the public residential units and private residential units (broken down into small and medium-sized flats and luxury flats) to be provided by different organizations (including the MTR Corporation Limited, URA, HA, Hong Kong Housing Society, etc) in each year of the above two periods, including information relating to residential units provided for temporary housing, rehousing and staff quarter purposes, etc;
- (b) the numbers and areas of the sites, broken down into the sites for which construction had yet to commence (or "disposed sites") and the sites which could potentially be supplied (or "potential sites"), which would be available for provision of public and private residential units respectively in each year of the above two periods; and the respective numbers and areas of vacant government land lots and vacant government buildings in the corresponding periods; and
- (c) the Government's target on the amount of land to be provided under its various new initiatives adopted for increasing land supply, e.g. reclamation and rock caverns development, and the year of provision.

44. Mr WONG Kwok-hing said that in case any of the above information was not available, the Administration should set out the reasons for the non-provision. STH said that while the public housing production for the next five years could be provided under the Public Housing Construction Programme, the production of public and private housing for the five years from 2017-2018 to 2021-2022 could not be estimated at this stage as such would be subject to availability of land and the supply and demand situation. Notwithstanding the constraints, the Administration would try to provide the requisite information as far as practicable.

(Post meeting note: The information on the supply of residential units provided by the Transport and Housing Bureau was circulated to members vide LC Paper No. CB(1)346/12-13 on 20 December 2012. The information on the supply of land provided by the Development Bureau was circulated to members vide LC Paper No. CB(1)481/12-13

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on 28 January 2013.)

My Home Purchase Plan ("MHPP")

45. Mr Kenneth LEUNG welcomed the change of the method of disposal of MHPP flats from letting to sale so as to increase the supply of subsidized sale flats. As there would be about 4 000 MHPP flats to be produced and given the long waiting list for PRH, he suggested that consideration be given to increasing the plot ratio of MHPP sites and using some of them to develop PRH flats. As MHPP would be targeted at households with monthly income less than \$40,000, he enquired if MHPP was positioned as the Sandwich Class Housing Scheme ("SCHS") which was introduced by the Hong Kong Housing Society years ago and if so, whether SCHS would be re-introduced.

46. STH said that when MHPP was announced by the last term of Government in 2010, the target provision was 5 000 flats. The first batch of around 1 000 flats at the original Tsing Luk Street project would now be offered for sale in late 2012. The remaining 4 000 flats would also be offered for sale at discounted prices upon their completion. The plot ratio for development of private and public housing had been maximized. There was no intention to re-launch SCHS, the income ceiling of which had once been as high as \$60,000. Continued efforts would be made to meet low-to-middle income families' aspiration for home ownership.

Tenants Purchase Scheme ("TPS")

47. Mr Alan LEONG said that he was aware that there were many unsold TPS flats in the 39 TPS estates. For example, in the Tsui Ping North Estate alone, there were 3 184 TPS flats which had remained unsold. However, tenants of the neighbouring Tsui Ping South Estate, which was not a TPS estate, were keen to buy flats within the estate but these were not offered for sale as TPS flats. In view of the mismatch, he requested that special arrangements be worked out to resolve the problem. STH said that the intention of TPS was to allow sitting tenants of TPS estates to purchase their own flats. Mr LEONG's suggestion of allowing special arrangements for non-TPS tenants to buy TPS flats would be looked into.

Extension of HOS secondary market to white-form buyers

48. With reference to the proposed extension of HOS secondary market to white-form ("WF") buyers, Mr Alan LEONG queried the rationale for allowing WF buyers to sell their HOS flats in the secondary market after two years upon payment of premium as this would encourage speculative

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activities. STH said that the Subsidized Housing Committee of HA had decided that WF buyers could be allowed to sell their HOS flats in the secondary market after two years of transaction. The resale restrictions were set by drawing reference from the resale restrictions for current HOS flats.. The recent adjustments of rates in respect of the Special Stamp Duty were meant to deter short-term resale.

49. Mr Abraham SHEK said that he did not support the proposed extension of HOS secondary market to WF buyers as this would undermine the chance of home ownership by green-form buyers who, upon the purchase of HOS flats, would surrender their PRH flats for re-allocation to Waiting List applicants. The recovery of PRH flats from green-form buyers would shorten the average waiting time for the much needed PRH flats.

50. Mr WU Chi-wai enquired whether consideration would be given to allowing owners of HOS flats with premium not yet paid to rent out their flats to meet the housing demand. STH replied that allowing owners of HOS flats with premium not yet paid to rent out their flats would be very complicated. The purpose of HOS was to meet the aspiration for home ownership of low-to-middle income households and they were not allowed to rent out their flats if the premium was not yet paid. Owners would be able to sell or rent out their flats in the open market after paying premium.

51. Referring to the comments on the proposed extension of HOS secondary market to WF buyers made to the press by Mr Michael CHOI, a member of HA, Dr LAM Tai-fai was concerned about the role of Mr CHOI in speaking to the public on important housing issues, particularly when some of his comments had given rise to much controversy. STH said that Mr Michael CHOI was a member of HA and also a member of the Steering Committee on LTHS. He had the freedom to express his views and he did not speak on behalf of the Administration.

Measures to address the overheated property market

52. Mr James TIEN declared interest as a property developer who had been engaged in land auctions and property development. With reference to the Buyer's Stamp Duty ("BSD"), he said that much concern had been expressed by overseas investors, particularly those from the United States and Europe, on the impact of BSD on the status of Hong Kong as an international financial centre with free market economy. To ensure that the housing demand of HKPR buyers would be accorded priority and without compromising the free market economy of Hong Kong, consideration should be given to setting a threshold on the price range of properties that would be

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subject to BSD. An assessment should be made on the price range of properties which was in greater demand by HKPR buyers and the purchase of such properties should be subject to BSD. Properties at the luxury end of the market which were above the threshold should be exempted from BSD.

53. STH said that BSD was not meant to discriminate against non-HKPR buyers but to prevent further exuberance in the housing market which might pose significant risks to the stability of the macro economy and the financial system. On Mr TIEN's request for setting a threshold on the price range of properties above which BSD would not be applied, SDEV explained that this would be difficult to implement given the shortage in the supply of properties of different price ranges. The need to introduce BSD had been explained to consular representatives in Hong Kong and they had shown understanding.

54. Dr LAM Tai-fai said that with the introduction of the Special Stamp Duty and BSD, developers would tend to withhold land development and/or refrain from selling completed units because they were uncertain about the impact of the measures on the property market. SDEV said that as the Government would include a building covenant in the land leases to govern the completion date of the development, developers would be required to complete their development in a timely manner.

Other issues

55. Mr James TIEN said that with the increase in land sales, local banks would lose out to Chinese banks in providing loans to developers for land purchase as local banks were subject to cap of 70% of assets for lending on properties.

56. Mr James TIEN noted with concern that approval letters issued by government departments to developers for commencement of works were often belatedly received. By way of illustration, a letter which was just received by mail could be dated a month ago, leaving very little time for developers to comply with the requirements. SDEV agreed to look into the matter.

III. Any other business

57. There being no other business, the meeting ended at 12:45 pm.