

Legislative Council meeting on 7 November 2012
Motion on “Perfecting housing policy and resolving public housing need”
Progress Report

Purpose

At the Legislative Council (LegCo) meeting on 7 November 2012, the motion on “Perfecting housing policy and resolving public housing need” moved by the Hon WONG Kwok-hing and amended by Hon James TIEN was carried. The wording of the motion carried is at **Annex**. This report sets out the Government’s position and the follow-up action taken in respect of the motion.

Increasing Land Supply

2. As mentioned in the 2013 Policy Address, the Government will continue to adopt a multi-pronged approach to increase land supply in the short, medium and long terms through optimal use of developed land and identification of new land for development, so as to meet the housing and other needs of Hong Kong people.

Increasing Supply of Housing Land in Short to Medium Term

3. The major sources of land for housing are sites sold by the Government, sites allocated for public housing development, public housing redevelopment projects, private property redevelopment projects, development projects of the Urban Renewal Authority (URA) and railway property development projects. The following ten initiatives put forward in the 2013 Policy Address will help increase the supply of housing land in the short to medium term:

- (1) 36 sites, including Government, Institution or Community (GIC) sites and other Government sites, with an area measuring 27 hectares in total, would be used for housing development to provide about 11 900 residential flats. To identify more suitable land for conversion to residential use, the Planning Department (PlanD) will continue to review sites currently zoned for GIC uses and other Government sites.
- (2) The first stage of PlanD’s Green Belt (GB) review has looked into devegetated, deserted or formed GB sites in the New Territories. 13 such sites, with a total area of 57 hectares, have been recommended to be rezoned for residential use and are expected to provide about 23 000 flats. PlanD is engaged in the next stage of GB review.

- (3) PlanD recommended in the review of industrial land completed in 2009 that 16 industrial sites, with an area measuring 30 hectares in total, should be converted for residential use. So far 13 sites (including five Government sites and eight private sites) have been completed or are undergoing the rezoning process. They can provide about 14 600 units upon redevelopment. PlanD is expediting the rezoning of the remaining three private sites which are expected to provide some 5 800 units. PlanD will also conduct another round of review of industrial land shortly.
- (4) The Development Bureau is working with PlanD and other departments to increase the development density of unleased or unallocated residential sites as far as allowable in planning terms. We will also take the same positive approach in handling applications from private residential developments. Meanwhile, the Lands Department (LandsD) is reviewing land administration procedures and processes related to land grant and premium assessment to expedite land supply.
- (5) With a view to optimising the use of land, policy bureaux will actively review their respective sites, such that those where the original intended use is not required anymore could be converted for housing development or other uses that meet the more pressing needs in the community as soon as possible.
- (6) The Government is considering relaxing or lifting a moratorium, which is an administrative measure, currently in force to restrict the sale of new land or modification to lease in Pok Fu Lam and the Mid-Levels on Hong Kong Island.
- (7) To put into full play the integrated development of mass transportation and residential property, the Government will take forward the planning for residential development at Kam Tin South West Rail Kam Sheung Road Station and Pat Heung Maintenance Depot, with land of about 33 hectares in total estimated to provide about 8 700 flats. The Government will also conduct engineering studies for the 110-hectare adjoining areas, and explore vigorously the residential development potential of land along existing and planned railways.
- (8) URA's development projects from 2013 to 2017 involve a total of 4.9 hectares of land. It is estimated that about 4 700 flats can be provided. URA will also forge ahead with its "demand-led" redevelopment scheme to speed up the pace of urban renewal, and has set out to redevelop industrial buildings through a pilot scheme since October 2012, including redevelopment for residential purpose.

- (9) Over the past three years, the Town Planning Board has approved 57 planning applications for residential development. 55 of them involve a total of 130 hectares of land and are estimated to provide over 45 000 flats when the projects are implemented. The Government will, in the interests of the public, expedite the administrative approval procedures and take other corresponding measures to make available the flats as soon as possible.
- (10) To expedite the four development projects at the former Diamond Hill Squatter Areas (Tai Hom Village), former Cha Kwo Ling Kaolin Mine, former Lamma Quarry and Anderson Road Quarry, the Government will actively consider making use of private developers' capacity for development in providing infrastructure and ancillary facilities, and construction of public and private residential units thereon. The four projects together are estimated to provide about 27 hectares of residential land for the construction of about 15 000 units.

4. The objective of the above ten initiatives is to increase and expedite land supply so as to enhance the supply of housing. Seven of them already will make available over 300 hectares of land for housing based on known developments if they are all implemented. This figure does not include all the housing land supply in the short to medium terms. More housing land supply will be made available when each of the above measures is implemented in an on-going manner.

Long-term Land Supply

5. Creating new land supply is an essential source of land in the long term. Newly created land can be made available for large-scale and higher-intensity development by way of planning and engineering studies, forming undeveloped rural or other land, or by leveling hills or reclamations, etc. All these are common measures adopted for urban expansions or new town developments in the past.

6. Building up an abundant "land reserve" that can more than meet the short-term demand could help us to respond more flexibly to society's needs for land. The current-term Government is determined to develop new land extensively so that land can be used to meet future demand in a timely manner. Therefore, the Government will expeditiously take forward the following long-term land supply projects:

- (1) According to earlier planning, the North East New Territories New Development Areas (NDAs) will provide about 533 hectares of developable land, including housing land for 53 800 units. The Government is actively studying the possibility of appropriately increasing the development density of the NDAs to further increase housing supply, increasing the proportion of public housing to over 50%, identifying suitable sites for new Home Ownership Scheme developments, and suitably including clauses on “Hong Kong Property for Hong Kong People” (HKPHKP) for private housing sites.
- (2) Following the North East New Territories NDAs, the Hung Shui Kiu NDA is the next major development project. The study area of this NDA is 790 hectares and can provide over 400 hectares of developable land according to preliminary assessment.
- (3) There are also vast tracts of land released from the Closed Areas and other undeveloped areas in the New Territories North. PlanD will study the feasibility of taking forward further development of the New Territories North, with a view to developing a modern new town on a similar scale of the Fanling/Sheung Shui New Towns.
- (4) PlanD will expedite the review of agricultural land in North District/Yuen Long currently used mainly for industrial purposes or temporary storage, or which is deserted, such that suitable land within the 257 hectares of study area can be released for housing development as soon as possible.
- (5) The Tung Chung New Town Extension Study is underway and its study area involves a total land area of 287 hectares. Meanwhile, the Government will also continue to explore in earnest the development potential of Lantau Island and areas along the trunk routes in New Territories West.
- (6) The Government is also actively exploring reclamation on an appropriate scale outside Victoria Harbour. In accordance with the site selection criteria formulated after the stage one public engagement, the Government will put forward possible reclamation sites for further consideration and commence the stage two public engagement as soon as possible. We will also conduct planning, environmental and engineering feasibility studies on selected sites. It is hoped that a total of about 2 000 to 3 000 hectares of land can be made available. Initially, North Lantau, Lung Kwu Tan in Tuen Mun, Southwest Tsing Yi and Ma Liu Shui near the estuary of Shing Mun River, with a total of about 600 hectares of land, are among the sites we have identified.

- (7) Rock caverns and underground spaces are also viable sources of land supply. The Government is studying the feasibility of relocating the Sha Tin Sewage Treatment Works to a cavern to make way for housing or other uses. At the same time, a study on the long-term strategy for rock cavern development will be conducted to prepare rock cavern master plans and formulate policy guidelines. Moreover, we will further explore the potential of developing underground spaces in the urban areas.

7. We would like to reiterate that the Government is committed to increasing land supply so as to fundamentally address the current problem of an imbalance between supply and demand. The Government will continue to adopt a multi-pronged approach to develop land resources actively and build up a land reserve. For land with potential for development, the Government will review and assess its development feasibility as soon as possible. When a plot of land is ready for development, we will make appropriate arrangements, such as allocating it for public housing development, including it in the Application List for land sale, or allocating it for other uses.

Simplifying Land Grant Procedures

8. LandsD is exploring the streamlining of land administration procedures and approval process with a view to expediting the related land developments. The scope of review covers simplifying land lease conditions, providing appropriate guidelines to the application of individual lease conditions, and shortening the approval process, so as to expedite the processing of applications for lease modification and other applications made under lease conditions.

Revitalisation of Industrial Buildings

9. The measures for revitalisation of industrial buildings (revitalisation measures) came into effect in April 2010, with a view to encouraging better utilisation of the precious land resources through redevelopment or wholesale conversion of existing industrial buildings to meet Hong Kong's social and economic needs. Among the current revitalisation measures, some of them aim at facilitating redevelopment of industrial buildings situated in non-industrial zones for housing or other commercial uses. These include allowing tailor-made lease modifications at "pay for what you build" premium (i.e. premium payable assessed according to the optimal use and proposed intensity of the redevelopment); providing the option of premium payment by annual instalments; and lowering the application threshold for compulsory sale orders to 80% of ownership for industrial buildings aged 30 years or above.

10. By the end of December 2012, LandsD had received a total of 14 applications for redevelopment under the revitalisation measures. Among them, 13 had been approved, including three applications for housing development. Of the three approved applications, one has already concluded the premium negotiations and executed the lease modification documents.

Hong Kong Property for Hong Kong People

11. Housing land is a scarce resource in Hong Kong. The objective of the HKPHKP measure is to give priority to the housing needs of Hong Kong Permanent Residents. For land sale sites subject to the HKPHKP measure, the Government proposes to restrict through land sale conditions the sale and re-sale of flats built on these sites to Hong Kong Permanent Residents for 30 years. As the HKPHKP policy is not a kind of subsidised housing scheme, the Government does not intend to impose other restrictions on the eligibility of buyers and the use of the flats.

12. The Government is drawing up the implementation details and is prepared to incorporate relevant land sale conditions into two sites located at the Kai Tak Development Area. The two sites will be sold in the first quarter of 2013 as a pilot under the HKPHKP measure. The implementation of HKPHKP measure is flexible. Depending on market situation and site conditions, the Government will incorporate HKPHKP clauses at an appropriate time, but will not set a fixed target of flat number production.

Long Term Housing Strategy

13. Since October 2012, the Long Term Housing Strategy (LTHS) Steering Committee (SC) has convened two meetings and one breakaway session. The inter-departmental Working Group is working diligently to support the work of the SC and formulate options for consideration by the SC. It also follows up on any suggestions made by the SC Members.

14. The LTHS consultation document will be issued around mid 2013, and after a three-month public consultation exercise, the report on LTHS will be published by the end of 2013.

Increase Public Rental Housing Supply

15. According to the latest Public Housing Construction Programme drawn up by the Housing Authority (HA), a total of 75 000 public rental housing (PRH) units will be completed in the next five years starting from 2012-13, at an average of 15 000 new PRH units per annum. In response to the increasing demand for

PRH by the public, we have decided to increase the supply of PRH and adopted a production target of at least 100 000 units in total for the five years starting from 2018 (or an annual average of 20 000 PRH units).

16. The LTHS SC will forecast the medium to long-term demand of the public on public and private housing, propose priorities, and assist the Government to draw up a long-term plan for housing supply.

Youth Hostel

17. The Government plans to support non-governmental organisations (NGOs) with the full capital costs of building youth hostels. The Youth Hostel Scheme aims to help working youths to secure their own living space for a period of time and give these young tenants an opportunity to accumulate savings to meet their medium term aspirations. While the youth hostels are not meant to provide a permanent accommodation, the scheme would unleash the potential of under-utilised sites in the hands of NGOs and provide some relief to the current shortage of housing accommodation for young people who wish to live away from home.

18. The Home Affairs Bureau is now in discussions with several NGOs regarding construction of the hostels and will study the details with a view to implementing the Scheme as soon as possible.

Quota and Points System

19. As at the end of September 2012, there were about 100 000 non-elderly one-person applications under the Quota and Points System (QPS) on the Waiting List (WL), 54% of whom were below 30 years old.

20. We note that there have been calls from the community for a review of the QPS so that singletons and young WL applicants with housing difficulties can be treated more fairly. While we understand the housing need of these singletons, given the limited public housing resources, it is our existing allocation policy to accord priority to family applicants. The waiting time for family applicants will inevitably be prolonged if we were to abandon the QPS. We recognise that non-elderly one-person applicants include singletons of different ages and with different needs. However, it is the case that older one-person applicants face even greater challenges to improve their own living condition. Therefore, we will examine the situation of those non-elderly one-person applicants over the age of 35 in the context of the LTHS review, and consider how to enhance the QPS.

Public Housing Policy for Fostering Harmonious Families

21. In order to encourage young offspring to live with their elderly parents to render support, the HA has implemented various public housing priority schemes and housing arrangements including the Harmonious Families Priority Scheme, Harmonious Families Transfer Scheme, Harmonious Families Addition Scheme and Harmonious Families Amalgamation Scheme, etc. These initiatives have been well received since their implementation, and as at end November 2012 about 24 330 families had benefited. The HA will continue to implement these arrangements, and based on the experience gained, review the operation and effectiveness of these measures as and when appropriate. The LTHS SC will also examine how to respond to the housing need of the elderly.

CSSA Rent Allowance

22. The Comprehensive Social Security Assistance (CSSA) Scheme helps families in financial hardship meet their basic needs. Rent allowance is payable to CSSA households to meet accommodation expenses. The amount of the allowance is the actual rent paid by the household, or the maximum rate determined with reference to the number of members in the household who are eligible for CSSA, whichever is the less.

23. The Government adjusts the maximum levels of the rent allowance (MRA) annually in accordance with the movement of the Consumer Price Index (A) rent index for private housing. The index is compiled by the Census and Statistics Department based on information collected through a monthly sample survey on private rented households and is used to measure the rental movements of private housing, including those of the relatively low expenditure non-CSSA households and households residing in rooms/ cubicles.

24. The Social Welfare Department (SWD) will adjust the MRA by 7.8% in 1 February 2013 in accordance with the above mechanism.

Rent Subsidy

25. Under the current situation of tight supply in the property market, it is unclear as to whether landlords or tenants will benefit from the provision of rent subsidy. It is highly probable that landlords will increase the rental when they know that their tenants have received subsidy from the Government. The rent subsidy provided by the Government will effectively become additional rental without any substantive benefits to the tenants. The Government will therefore not consider introducing any rent subsidy.

Offering a Tax Allowance to Eligible Households with No Property for Renting Private Residential Units

26. All along, Hong Kong has adopted a simple and low tax regime, and upholds the taxation principles of fairness and neutrality. For salaries tax, apart from adopting progressive tax rates which fully reflect the fairness principle of “earning more, paying more; earning less, paying less”, we have also provided a number of generous allowances. As a result, the overall average effective tax rate for all salaries tax payers is far below the standard rate of 15%.

27. Taking the year of assessment 2010/11 as an example, only about 40% of our working population had to pay salaries tax. Even before the one-off tax reduction, 85.3% of salaries tax payers were subject to an average effective tax rate of less than 5.5%, while the overall average effective tax rate for all salaries tax payers was just 8.1%. This is a fairly light tax burden when compared with that in other economies. The above figures show that most of the people need not pay any salaries tax and the majority of taxpayers just pay a rather small share of their income for salaries tax.

28. The Government will consider the tax concession suggestions put forward by the community in the context of drawing up the Budget for 2013/14.

Home Starter Loan Scheme

29. When housing supply is tight, any form of loan or cash assistance by the Government will actually serve to drive up flat prices. According to the past experience with the Home Starter Loan Scheme which was implemented over a decade ago, of the cases in which full repayment had been made, there had been late payment in more than half of them. Moreover, there were about 4 300 cases in which full repayment had not been made. In addition, there were also some 1 200 cases involving bankruptcy. Up to now, this scheme has created about \$490 million in bad debt for the Government. Therefore, we need to adopt a prudent attitude when considering any proposal to finance members of the public in acquiring properties in the form of loans. We have no plan to re-launch the scheme at present.

Tenants Purchase Scheme

30. The Tenants Purchase Scheme (TPS) was introduced in 1998 by the HA to enable PRH tenants to buy the flats they lived in at a discounted price, thereby helping to achieve the then policy objective of attaining a home ownership rate of 70% in Hong Kong in ten years' time. Subsequently, in 2002, the Government re-positioned its housing policies which included dropping the target for home ownership. Accordingly, the HA decided to cease the sale of PRH flats after

launching Phase 6B of the TPS in August 2005.

31. As for whether the TPS should be re-launched, the Government has two main considerations.

32. Firstly, the number of PRH applications has increased persistently in recent years, reflecting the keen demand from the community. As at the end of September 2012, the number of general WL applicants on the WL reached about 110 400, while the number of non-elderly one-person applicants under the QPS was about 100 000. Apart from new flats built each year, recovered flats are also an important source of PRH supply. Selling PRH flats to tenants will inevitably affect the turnover and supply of PRH flats, and this will eventually affect the HA's ability to maintain the average waiting time for general applicants (excluding non-elderly one-person applicants under the QPS) at around three years.

33. Secondly, at present, the HA has encountered many problems with the management of the residual PRH flats in the 39 TPS estates. The HA's estate management policies cannot be fully implemented in these TPS estates, resulting in PRH tenants living in the TPS estates and those living in non-TPS estates being subject to different management regimes. For example, the Marking Scheme for Estate Management Enforcement is not implemented in the public areas of all TPS estates. The HA can only deal with the misdeeds committed in rental flats of the TPS estates, such as hoarding of refuse inside premises, throwing objects from height, etc. As for misdeeds committed in public areas, such as littering, boiling wax, etc, they cannot be dealt with by the Marking Scheme.

34. In view of the above, we do not intend to re-launch the TPS in other public housing estates. That said, under the existing policy, sitting tenants in the 39 TPS estates can still opt to buy the rental flats in which they live. Besides, tenant living in PRH with aspiration for home ownership can also purchase TPS flats or Home Ownership Scheme flats with premium not yet paid on the Secondary Market.

Ensure Healthy and Stable Development of the Property Market

35. In view of the exuberant property market and the increased risk of a property bubble, the Financial Secretary announced, on 26 October 2012, a new round of demand-side management measures, namely, the enhancement of the Special Stamp Duty and the introduction of the Buyer's Stamp Duty. The Stamp Duty (Amendment) Bill 2012 was introduced into the LegCo on 9 January 2013. The Government will continue to closely monitor the private residential property market, and will introduce suitable measures as necessary to ensure its healthy and stable development.

Transport and Housing Bureau
Development Bureau
Home Affairs Bureau
Labour and Welfare Bureau
Financial Services and the Treasury Bureau
January 2013

**Motion on
“Perfecting housing policy and resolving public housing need”
moved by Hon WONG Kwok-hing
at the Council meeting of 7 November 2012**

Motion as amended by Hon James TIEN

That in recent years, the society has been increasingly vocal in requesting the Government to show concern over soaring property prices, and the Chief Executive pointed out during his election campaign that ‘housing tops the list of livelihood issues that are of public concern; it is also the bedrock of a stable society’; yet, since the new-term Government has taken office, property prices and rents in Hong Kong have been rising rather than declining, making it more difficult for people to acquire homes; besides, as the quantitative easing measures implemented by many countries have led to a huge influx of hot money, property prices in Hong Kong may become further out of tune with people’s incomes, making the housing problem more severe; notwithstanding the Government’s recent introduction of two measures in an attempt to cool down the property market, the fundamental factor of insufficient land supply is not touched upon, and therefore the measures can at most treat the symptoms only, and in the long run will not be conducive to the healthy development of the property market; in this connection, this Council urges the Government to expeditiously put forward effective measures focusing on planning and actions for immediate, medium-term and long-term land supply and demands, so as to address people’s housing needs; the relevant measures should include:

- (a) to properly build an overall land reserve and launch long-term land supply planning, so as to meet Hong Kong’s short-, medium- and long-term demand for land; in the short term, to further streamline land grant procedures, promptly release idle land lots and allow the direct conversion of industrial buildings into residential buildings after paying land premiums, etc.; and in the medium term and long term, to expedite the identification of land lots for building new development areas, optimize the use of rock caverns to vacate more land for residential development, and carry out reclamation on an appropriate scale at suitable sites outside the Victoria Harbour, etc.;
- (b) to expeditiously formulate and announce Hong Kong’s long-term housing development strategy and the implementation timetable, so as to let members of the public know the future supply of public and private residential units and put their minds at ease;

- (c) to examine the Government's existing land reserve, including the overall reserve of potential sites and disposed sites, and to expeditiously undertake planning for the construction of various types of residential units, including public and subsidized housing on lands suitable for residential purposes, with a view to increasing housing supply;
- (d) to explain to members of the public the land use status of the idle residential land lots in the land reserve, including those of the MTR Corporation Limited, the Urban Renewal Authority and the Government, and the relevant reasons, and to immediately launch long-term planning for the supply of residential land;
- (e) to expeditiously inform members of the public of the policy details, implementation particulars, arrangements and implementation timetable relating to 'Hong Kong property for Hong Kong residents'; and to make an annual allocation of land for constructing 12 000 flats with limited floor areas for Hong Kong residents who are first-time home buyers, so as to meet people's demand for 'boarding the train';
- (f) to increase the annual public rental housing ('PRH') production to 30 000 units or more for accelerating the time for allocating units to the existing applicants on the Waiting List to two years, so as to meet grass-root people's demand for PRH;
- (g) to expedite the construction of youth hostel units for diverting the large number of young people currently waiting for PRH, and at the same time to review the Quota and Points System for non-elderly one-person applicants, so as to assist singletons with genuine housing difficulties in getting PRH allocation;
- (h) to introduce sandwich-class PRH units to enable those households and persons with incomes slightly above the PRH eligibility criteria but without the ability to enter the private market to apply for renting such units subject to certain conditions and time limits, so as to alleviate their rental pressure;
- (i) to review the allocation and eligibility criteria of PRH to encourage young family members to live with their elderly family members and to provide care for them;
- (j) to conduct studies on offering rent allowance to low-income persons, including expeditiously reviewing and increasing the rent allowance under the Comprehensive Social Security Assistance Scheme, and providing rent allowance to eligible households waiting for PRH; and to offer a tax allowance to eligible households with no property for renting private residential units;

- (k) to study and introduce more measures to assist people in acquiring their homes, including enhancing the former Home Starter Loan Scheme and the Tenants Purchase Scheme, so as to enable more members of the public to acquire their own homes; and
- (l) to closely monitor the impacts of the economic environment and external factors, and introduce more adjustment measures whenever the hot money flows in and the property prices continue to rise, including increasing the effectiveness of the special stamp duty and revising the loan-to-value ratio for non-owner-occupied units, so as to avoid the formation of a property bubble.