

立法會
Legislative Council

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Panel on Housing

Minutes of special meeting
held on Friday, 18 January 2013, at 5:30 pm
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon WONG Kwok-hing, MH (Chairman)
Hon Frederick FUNG Kin-kee, SBS, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, SBS, JP
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon WONG Yuk-man
Hon Michael TIEN Puk-sun, BBS, JP
Hon WU Chi-wai, MH
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Dr Hon Fernando CHEUNG Chiu-hung
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Tony TSE Wai-chuen
- Members attending** : Hon CHAN Yuen-han, SBS, JP
Dr Hon Elizabeth QUAT, JP

Members absent : Hon Vincent FANG Kang, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public Officers attending : **For item I**

Professor Anthony CHEUNG, GBS, JP
Secretary for Transport and Housing

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

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

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

Ms Ada FUNG, JP
Deputy Director (Development & Construction)
Housing Department

Mr Albert LEE, JP
Deputy Director (Estate Management)
Housing Department

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

Staff in attendance : Mr Andy LAU
Assistant Secretary General 1

Mrs Mary TANG
Senior Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

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I. Briefing by the Secretary for Transport and Housing on relevant policy initiatives in the Chief Executive's 2013 Policy Address

(LC Paper No. CB(1)438/12-13(01) — Administration's paper on "2013 Policy Address — Housing-related policy initiatives of Transport and Housing Bureau")

Relevant paper

Address by the Chief Executive at the Legislative Council meeting on 16 January 2013

The Secretary for Transport and Housing ("STH") briefed members on the housing-related initiatives of the Transport and Housing Bureau in the Chief Executive ("CE")'s 2013 Policy Address.

(Post-meeting note: A copy of STH's speaking note was circulated to members under LC Paper No. CB(1) 451/12-13 on 21 January 2013.)

Public rental housing

2. Dr Elizabeth QUAT noted that there were more than 200 000 applicants awaiting public rental housing ("PRH") allocation and with the exclusion of non-elderly one-person applicants, there would still be 100 000 households on the General Waiting List ("WL"). As such, at least 33 000 PRH units would need to be made available each year in order to maintain the average waiting time ("AWT") for WL applicants at three years. However, the average annual production of PRH units was only 15 000. Taking into account the recovery of some 7 000 PRH flats each year, only 22 000 PRH flats would be available for allocation annually, which was far short of the 33 000 PRH flats required each year. Therefore, it was unlikely that the Administration could honour its pledge of maintaining the AWT for WL applicants at three years. She enquired about the measures to address the housing needs of WL applicants during the interim when sufficient land could not be identified for PRH production.

3. STH explained that not all of the 100 000 households awaiting PRH allocation under the WL would be eligible for PRH. The Administration would strive to produce sufficient PRH units to honour the pledge of maintaining AWT for WL applicants at about three years.

4. Mr KWOK Wai-keung also expressed concern that while the number of WL applicants had exceeded 200 000, the number of PRH units to be produced in

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the next 10 years was only 170 000. He queried how the pledge of maintaining AWT for WL applicants at three years could be met. His concern was shared by Mr LEUNG Yiu-chung. STH said that in general, the first offer of a PRH unit could be made within three years for WL applicants. The Quota and Points System ("QPS") would apply to non-elderly one-person applicants. The Steering Committee on Long Term Housing Strategy ("LTHS") would aim at making recommendations on existing policies and measures to address the housing needs of various strata and groups in the community. Mr LEUNG Kwok-hung, however, pointed out that while the first offer of a PRH unit could be made within three years for WL applicants, it would usually take a much longer time for them to be allocated PRH units of their choice. In response to Mr LEUNG Yiu-chung, the Administration would provide for members' reference an analysis of the AWT for second and third offers of PRH flats for WL applicants.

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5. Mr IP Kwok-him stated that as the annual production of 15 000 PRH flats and the annual recovery of 7 000 PRH flats from sitting tenants could not meet the demand, there was a need for more efforts to recover PRH units, particularly from well-off tenants. STH responded that the Steering Committee on LTHS would be reviewing the QPS as well as the housing needs of different age groups of non-elderly one-person applicants so that more flexibility could be allowed in PRH allocation.

6. Mr Michael TIEN said that according to CE's election manifesto, 35 000 PRH flats would be delivered each year. However, as stated in the 2013 Policy Address, the annual average production would only be 15 000 new PRH flats for the next few years, and an annual average of 7 000 PRH flats would be recovered through surrender of flats. He noted that according to the reply made by the former STH at the Council meeting on 2 November 2011, there would be an average of about 3 000 PRH flats to be recovered each year, including 2 100 through voluntary surrender and 600 through Notice-to-Quit. As this was much less than the annual average of 7 000 flats expected to be recovered in the coming years, he sought clarification on the number of recovered flats. STH explained that the annual average of 7 000 PRH flats to be recovered through surrender of flats was based on statistics over the years.

7. The Permanent Secretary for Transport and Housing (Housing) ("PSTH(H)") added that about 12 000 PRH flats were recycled per year. About 5 000 of them were recycled within the public housing tenants, i.e. tenants moving from larger flats to smaller flats and vice versa, but these would not yield additional flats for allocation. About 7 000 flats would be surrendered through tenants' death, emigration, ineligibility, or tenancy enforcement actions against misuse of flats and such recovered flats would be re-allocated to tenants on WL. In response to Mr TIEN's request, the Administration would provide clarification on the recovery of surrendered flats.

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8. Ir Dr LO Wai-kwok said that being the Legislative Council representative of the Engineering Constituency, he was concerned about the adequacy of manpower resources for PRH production, which was expected to increase to an average of 20 000 PRH units per year in the next five years starting from 2018. There was a need for timely planning for the recruitment of sufficient professionals to meet the increased PRH production target in the coming years. PSTH(H) said that the Administration had already started to seek additional manpower resources to meet the PRH production targets. In the recent Resource Allocation Exercises, about 300 additional posts had been created at all levels from directorate to basic ranks, many of which were technical posts such as engineers, architects, site technicians, etc. Efforts would be made to seek additional manpower resources when necessary. He would like to take the opportunity to enlist members' support for the creation of directorate posts which would be submitted to the Finance Committee for approval shortly.

9. Mr WU Chi-wai enquired whether there would be a rolling programme on the redevelopment of aged estates, other than the planned redevelopment of Pak Tin Estate. STH responded that the redevelopment potential of aged PRH estates would be critically reviewed, with a view to increasing the efficiency of the use of older sites. The Hong Kong Housing Authority ("HA") would consider the build-back potential and the availability of suitable rehousing resources (i.e. reception estates) in addition to structural safety and cost effectiveness of repair works. There was however no rolling programme on the redevelopment of aged estates. Mr WU said that HA could use the new PRH units to be developed in Kowloon East as reception estates for the redevelopment of Kai Yip Estate and Wo Lok Estate. PSTH(H) said that a study had been conducted on the redevelopment potential of estates aged about 40 years or over and proposals would be made to HA in due course. He stressed that redevelopment of aged estates was a long term process which usually took 10 to 15 years.

10. Mr LEE Cheuk-yan expressed disappointment about the lack of long, medium and short term measures to resolve the housing problems in Hong Kong. The 2013 Policy Address had made no mention of rental subsidies, rent control or interim housing. CE had not been able to meet the targeted production of public housing pledged in his election manifesto, nor had he made use of the available sites for public housing. Instead, the sites were sold to private developers. STH explained that while efforts had been made to identify suitable land for public housing, there was a lead time in the construction and delivery of public housing units.

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Subsidized housing

11. Mr Tony TSE said that as it was Government's top priority to resolve the housing problems in Hong Kong, there was a need to explain the progressive housing ladder to the public. Noting that the income ceiling for My Home Purchase Plan flats was \$40,000, he enquired about how the housing needs for those earning between \$40,000 and \$60,000 could be addressed. STH explained that PRH remained the basic strata of the housing ladder, to be followed by subsidized housing schemes such as Home Ownership Schemes ("HOS") and private housing. The monthly income ceiling of \$40,000, which would cover approximately 70% of the non-owner occupied households of private domestic properties in Hong Kong, also applied to the new HOS.

12. Dr Joseph LEE pointed out that while it was the Government's policy initiatives to assist the public to choose accommodation according to their affordability and personal circumstances, and to encourage those who were able to be homeowners, there were no housing initiatives in the 2013 Policy Address to assist the middle class to achieve home ownership given that rental subsidies, tax concessions or rent control were not introduced. It appeared that the Government had neglected the housing needs of the middle class which made up 20% of the community. STH said that with the limited housing resources, priority had been given to producing public and subsidized housing to meet the housing needs of those families with monthly income of \$40,000 or below, which made up around 70% of the non-owner occupied households of private domestic properties in the community. Meanwhile, the Administration would closely monitor the market trend of private residential properties, and would introduce measures as and when necessary to ensure the healthy and stable development of the property market.

13. Mr LEUNG Che-cheung said that more efforts were needed to increase the production of public housing to meet public demand. He would support the re-launching of the Tenants Purchase Scheme such that the better-off PRH tenants could achieve home ownership without having to purchase flats from the private sector. STH said that the Government was aware of the aspiration for home ownership in the community and the development of HOS was now firmly part of its housing policy. The planning target was to provide some 17 000 HOS flats over four years starting from 2016/2017 onwards and thereafter an annual average of 5 000 HOS flats. Furthermore, all of the remaining 830 surplus HOS flats previously built would be offered for sale by the end of March 2013. In response to the home aspiration of those with White Form ("WF") status during the interim period from now until the completion of the first batch of new HOS flats in 2016/2017, and as an interim scheme, 5 000 WF buyers each year would have the chance to purchase HOS flats with premium not yet paid.

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14. Mr WU Chi-wai said that in view of the inadequacy in the provision of housing, he enquired if the Administration would consider allowing owners of HOS flats with premium not yet paid to let out their flats. He also enquired if potential sites could be allocated to HA as well as private developers in an attempt to increase the land supply for housing. STH stated that the suggestion of allowing owners of HOS flats with premium not yet paid to let out their flats would be discussed at the Steering Committee on LTHS. As regards the allocation of potential sites to HA and private developers for housing development, STH said that the use of potential sites would involve a much longer construction process as land formation would take time. Efforts would be made to identify disposed sites for housing development to ensure their timely delivery.

Subdivided flats

15. Dr Fernando CHEUNG referred members to the 2013 Policy Address which set out the CE's concern about the health and safety risks associated with cage homes, cubicle apartments and subdivided flats. CE had also said that the plight of the poorly-housed had cast a dark shadow on Hong Kong. However, at a recent meeting of the Panel on Housing, the Under Secretary for Transport and Housing had indicated that subdivided flats had existence value. He questioned whether subdivided flats did have existence value and if not, whether they should be eradicated. He was also concerned whether the housing initiatives of the 2013 Policy Address could resolve the housing needs of the community.

16. STH stated that the standard of subdivided flats varied. There was a need to ensure the safety of subdivided flats and to this end, the Buildings Department had been taking the necessary enforcement actions. Despite the undesirable living conditions in subdivided flats, there was a demand for such flats by low-income groups who did not have a choice as they could not afford other private rental accommodation. The present housing policies would aim at providing PRH to low-income groups who were poorly-housed.

17. Mr Frederick FUNG pointed out that the 2013 Policy Address failed to show that the Administration had the determination to meet the housing needs of the community. While the Administration was aware of the many health and safety risks associated with subdivided flats and cubicles, it had not proposed any solution to resolve the problem. He suggested that the vacated PRH units at Pak Tin Estate and urban renewal sites should be used for rehousing tenants of subdivided flats. Mr Tony TSE shared the concern about the health and safety risks associated with subdivided flats, particularly those converted from industrial buildings. He further enquired about the measures to assist low-income groups who were living in those flats. STH responded that low-income groups which were eligible for PRH could await their turn of allocation under

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WL and the AWT had been maintained at three years. Should subdivided flats tenants become homeless as a result of government law enforcement actions and be in need of temporary accommodation, they would be provided with temporary accommodation through the referral of the Buildings Department or the Lands Department.

Land supply

18. Mr Alan LEONG doubted the commitment of CE in meeting the PRH production target. He said that if the Administration could add sites to the Application List this year, it could make use of such sites for producing PRH units for delivery in 2015. However, no such consideration had been made by CE in his Policy Address. Dr KWOK Ka-ki also said that there were available sites in the Application List which had been idle for years. He sought explanation as to why such sites could not be used for PRH development and whether it was the Development Bureau which had disapproved of such uses. He further enquired if the Transport and Housing Bureau had requested for the provision of more land for PRH production. Mr Frederick FUNG, Mr James TO and Mr Abraham SHEK shared the view that land which had been left idling for years in the Application List should be used for developing PRH.

19. STH responded that there had been cases in the past where land in the Application List was used to develop public housing. It would normally take one year for land formation, and two and a half years for building construction works, and prior to that, planning and public consultation would have to be carried out. There had been close cooperation between the Transport and Housing Bureau and the Development Bureau in the supply of land for housing. In fact, the Secretary for Development had just announced the day before that a piece of land in the Application List would be made available for public housing production.

20. Mr Alan LEONG pointed out that some private developers had been hoarding agricultural land in the New Territories, and enquired whether the Government could invoke the Land Resumption Ordinance (Cap. 124) to resume their agricultural land for public purposes such as PRH production. STH said that efforts would be made to optimize the use of land resources. For applications involving change of land uses, the planning purposes and environmental impact would need to be taken into account.

21. Mr Kenneth LEUNG said that although the Administration had indicated that it would try to ensure the stable and healthy development of the property market, this would not materialize under the present market condition when the demand far exceeded the supply. More demand-side management measures were needed to regulate the situation. He enquired whether checking had been

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conducted on the source of capital of overseas buyers involved in local property purchases to prevent money-laundering through property transactions. He also enquired whether the Administration would consider disallowing non-Hong Kong permanent residents from buying private residential properties in Hong Kong if the property prices continued to soar. STH responded that the Administration was well aware of the imbalance in the demand and supply of private residential properties in Hong Kong and had introduced two demand-side management measures in late October, namely increasing the rates and extending the holding period in respect of the Special Stamp Duty, and introducing a Buyer's Stamp Duty on residential properties acquired by any person except a Hong Kong Permanent Resident. He added that the possibility of introducing further measures to stabilize the property market would not be ruled out but their impact on the local economy would have to be assessed.

Conversion of industrial buildings for use as residential units

22. Dr Elizabeth QUAT said that she was aware that there had been requests for converting industrial buildings to provide temporary housing accommodation ("THA"). She enquired if consideration could be given to developing urban government land as THA to provide tenants of subdivided flats with an additional choice of accommodation. Mr LEUNG Che-cheung also supported the conversion of industrial buildings into residential blocks to resolve the problems associated with subdivided flats and cubicles. STH said that where land was identified, the Administration would proceed with PRH production without having to provide THA. The suggested conversion of industrial buildings to residential units would be given due consideration by the Administration.

Request for the provision of rental subsidies or tax concessions on rentals

23. Mr KWOK Wai-keung enquired if rental subsidies or tax concessions on rentals could be provided to alleviate the plight of low-income groups living in cubicles and subdivided flats. Miss Alice MAK said that as AWT could not be maintained at three years for WL applicants, members of the Hong Kong Federation of Trade Unions would support the provision of rental subsidies and tax concessions for rentals for low-income groups who were awaiting their turn for PRH allocation on the WL. Dr Elizabeth QUAT said that members of the Alliance for the Betterment and Progress of Hong Kong had all along been requesting for the provision of rental subsidies for WL applicants who were not receiving Comprehensive Social Security Assistance, and hoped that the Administration would reconsider the request. Mr LEUNG Kwok-hung shared the view on the need for rental subsidies for low-income groups living in subdivided flats. STH responded that given the tight housing supply, the suggested provision of rental subsidies would likely push up the rentals in the

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private property market. As regards the suggestion of providing tax concessions on rentals, this would need to be considered by the Financial Secretary.

Request for introduction of a vacancy tax on land and residential properties

24. Mr IP Kwok-him enquired if the Administration had in hand information on the number of residential flats which had been completed but had not been put up for sale in the property market. He was aware that some developers had been withholding completed residential flats from sale as part of their strategy to keep property prices at a high level. He considered that there was a need for more effective measures to force developers to sell their completed residential flats. STH said that based on the available information, there were currently about 4 000 unsold units of completed projects.

25. Miss Alice MAK noted that many private developers were hoarding land and did not develop their land. Meanwhile, some of them had completed the construction of flats but had kept them vacant and did not offer them for sale in the market. As the actual supply of private housing units ultimately hinged on the construction progress of private developers, as well as the exact timing as to when the completed flats were offered for sale in the market, she would suggest that measures, such as vacancy tax on land and residential properties, should be introduced in an attempt to prevent developers from delaying the construction process and/or withholding completed residential flats from sale for the purpose of keeping property prices at a high level. Mr LEUNG Kwok-hung indicated support for the levy of vacancy tax on land and residential properties, as well as the resumption of regular land sales instead of relying on the Application List system. Dr KWOK Ka-ki shared the view on the levy of vacancy tax on land and residential properties. STH responded that currently, the Government would impose a Building Covenant date in the land leases to govern the completion date of residential development projects. However, this did not regulate the timing for putting the completed flats on sale. He added that before introducing any tax measures, their implications on the economy of Hong Kong would need to be carefully considered.

26. Mr James TO said that some developers had completed construction of residential developments in accordance with the Building Covenant but they did not offer the completed flats for sale in the open market. He recalled that back in 1997, developers were required to put their flats for sale within six months of approval and such requirement was included in the land leases. However, the said requirement was lifted when the property market declined in 2003. He enquired if the Administration would consider re-introducing such requirement so that developers would need to put up their completed flats for sale. This would ensure certainty in the supply of flats in the property market. STH responded that while he was not in a position to decide whether the

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Administration would re-introduce the requirement as suggested as it was not within his purview, the inclusion of such a requirement in the land lease might be worth exploring.

27. Miss CHAN Yuen-han stated that with rising rentals and property prices, there was a need to introduce additional measures to address the housing needs of the community and such measures might include -

- (a) introduction of tax on idling of land by developers who did not proceed to develop their land;
- (b) introduction of vacancy tax on new residential properties;
- (c) reviewing the policy on well-off PRH tenants as this had forced the younger generation to move out from their parents' PRH units, thereby increasing the demand for PRH; and
- (d) re-launching of the Tenants Purchase Scheme.

She also supported the reinstatement of rent control as well as any other measures that would enable the healthy and stable development of the property market.

28. In response, STH said that the Administration was committed to resolving the housing problems faced by the community. The suggested measures had been considered by the Administration and would be further looked into in the context of LTHS while issues relating to tax would be considered by the Financial Secretary.

29. Mr Abraham SHEK enquired whether the Administration had knowledge of the number of flats which were completed but had not been put up for sale by developers. He said that developers would need to sell their completed flats in order to obtain investment returns on property development. Some of the completed flats had remained unsold due to market-related factors. He supported that the land resumed by the Urban Renewal Authority could be used for developing public housing. He also supported that more assistance be given to low to middle-income groups in achieving home ownership and that extraordinary measures should be introduced in exceptional times. He further pointed out that the shortage of land for PRH production was partly due to the fact that some of the land within PRH estates had been awarded to the Link Management Limited.

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II. Any other business

30. There being no other business, the meeting ended at 6:47 pm.

Council Business Division 1
Legislative Council Secretariat
11 April 2013