

Legislative Council Panel on Housing

2013 Policy Address

**Housing-related Policy Initiatives of
Transport and Housing Bureau**

VISION

The Government's policy objectives on housing are to (a) assist grassroots families to secure public housing to meet their basic housing needs; (b) assist the public to choose accommodation according to their affordability and personal circumstances, and encourage those that are able to be homeowners; (c) provide subsidised home ownership flats on top of public housing so as to build a progressive housing ladder; and (d) maintain the healthy and steady development of the private property market, with priority to be given to Hong Kong permanent residents (HKPRs)' needs.

2. We understand that housing tops the list of livelihood issues that are of public concern. It is also a very complicated issue. Our tremendous challenge is to address the housing needs of different groups in the community given the tight housing resources. Since the new term of Government took office, we have clearly shown our determination to tackle housing problems, which are amongst the top priorities of the Government. Guided by the principle of introducing new measures once they are ready, the new term of Government has already launched a series of new policy initiatives in the past six months, with a view to improving the housing situation over the next few years.

NEW INITIATIVES

Setting a Higher Production Target for Public Rental Housing

3. Public rental housing (PRH) remains the basic strata of the housing ladder. It is our target to provide PRH to low-income families who cannot afford private rental accommodation. We will increase the supply of PRH, and adopt a production target of at least 100 000 units in total for the five years starting from 2018.

Long Term Housing Strategy (LTHS)

4. The LTHS review is now in full swing. The review will examine the housing needs of various groups in the community, set priorities, and formulate a new LTHS. Issues which will be considered by the LTHS Steering Committee include establishing the housing needs of specific groups in the community and ascertaining the priorities in addressing those needs; assessing the PRH Waiting List (WL) position; exploring ways to optimize and rationalize the use of PRH resources; reviewing and projecting medium to long term demand for public and private housing; considering the issue of housing supply; and making recommendations on existing policies and measures to address the housing needs of various strata and groups in the community.

Poorly-housed households

5. According to the General Household Survey of the Census and Statistics Department, as at end June 2012, there are some 31 800 domestic households, with a total of 64 900 people living in private temporary housing or in rooms, cubicles, bedspaces, and cocklofts in private permanent housing. According to the 2011 Population Census, as at mid-2011, there are some 3 044 households, with a total of 6 230 people living in quarters in non-residential buildings (including commercial buildings and industrial buildings). These households are looking for safe and affordable accommodation. PRH remains the primary housing solution for low-income families. For those who are living in private accommodation while waiting for a PRH flat, the Government will continue to address the building and fire safety issues in such accommodation. Currently, poorly-housed households include those living in subdivided flats. We will engage a research institution to assess the condition and to project the number of subdivided flats in the territory.

The elderly

6. It is the Government's policy to assist the elderly to "age in place". With the aim to support the aging in place policy, the Government's existing objective is to strengthen the role of families in mutual support as well as to enhance support services and facilities, so that elderly people living in different places and with different needs can have access to appropriate social welfare, health care and community services. The

Housing Authority (HA) seeks to cater for the specific needs of the elderly through a series of arrangements such as the “Single Elderly Persons Priority Scheme”, “Elderly Persons Priority Scheme” and “Harmonious Families Priority Scheme”, as well as the design and facilities of PRH estates. The Hong Kong Housing Society (HKHS) has launched the Senior Citizen Residence Scheme (SEN) through projects in Tseung Kwan O and Jordan Valley, which provide one-stop “elderly housing” rental units with ancillary health-care and recreational facilities for middle-income senior citizens. We will review and assess the above schemes and other viable options in the LTHS review.

Non-elderly singletons

7. There are views in the community that we should accord fair treatment to non-elderly singletons who have housing problems. This is particularly the case for those who are relatively older as they have less opportunity to improve their living standard through upward mobility. The LTHS review will examine the effectiveness of the Quota and Points System (QPS) applicable to non-elderly one-person applicants of PRH and the situation of those non-elderly one-person applicants over the age of 35. The review will consider options to refine the QPS.

8. As for the suggestion to relaunch the “First Time Home-buyers Loan Scheme”, which was introduced more than a decade ago, to assist youngsters to purchase their first flats, according to our past experience, of the cases in which full repayment has been made, more than half of them were found to be in default at some stage. As for those cases whereby full payment has not been made, there are about 4 470 such cases and instances of default could also be found in over 30% of them. Besides, there are 1 200 cases of bankruptcy. Up to now, the scheme has resulted in a bad debt of some \$490 million to the Government. We should be cautious in considering any proposal to finance the acquisition of properties in the form of loans or subsidy. Furthermore, under the current tight housing supply, any Government initiatives of loan or cash subsidies will inevitably push up property prices, which would be unfavourable to home buyers. At present, we have no intention to relaunch the scheme.

9. In examining various issues, the LHTS Steering Committee will make reference to the opinions of various stakeholders, including those expressed by Legislative Council (LegCo) Members, academics, and the community. The Steering Committee will also take into account views of specific groups through the focus group study. We plan to release a

consultation document in around mid-2013, to be followed by a three-month public consultation. The report on the public consultation will be published by end 2013.

Provision of Subsidised Housing by the HKHS

10. The Chief Executive announced on 30 August 2012 that all units of Greenview Villa, the first project under the original My Home Purchase Plan (MHPP) of the HKHS, would be offered for sale to respond to the public request of home ownership by increasing the supply of subsidised sale flats. Since the latest income limit for subsidised housing is capped at \$40,000 a month, we believe that in future, the income limit for Home Ownership Scheme (HOS) flats should enable those who were previously eligible for the MHPP to become eligible under the HOS. As such, we have decided not to roll out any more MHPP projects. Four pieces of land respectively located at Tai Po, Diamond Hill, Choi Hung and Ma On Shan, which were originally earmarked for the MHPP, will be used for new HOS developments instead.

11. In view of the positive response from the community towards the Greenview Villa project, the Government has identified a site in Sha Tin for the HKHS to take forward as a similar development to the HOS. The site is located near Siu Lek Yuen, which is expected to provide about 700 units of small to medium size flats. In addition, based on the views collected from the community engagement exercise carried out by the Planning Department for the Study of the Enhancement of the Sha Tau Kok Rural Township and Surrounding Areas, quite a number of Sha Tau Kok residents have called for the construction of PRH in the area to cater for the housing needs of the local residents there. In light of this, we have identified a site in Sha Tau Kok and will invite the HKHS to undertake a rental housing development project on the site.

Land Supply

12. Housing supply hinges on the supply of land. The Government will continue to increase housing land supply, and in line with planning development and the needs of the public, seek to increase the ratio of subsidised housing. In order to respond more swiftly to the changing needs for land, the Government will continue to adopt a multi-pronged approach to build up a land bank through better utilisation of developed lands and development of new developable lands, such that there would be land reserve to respond to the needs of the community and the market.

The reorganized Steering Committee on Land Supply, chaired by the Financial Secretary, will be responsible for co-ordinating plans to develop and supply all land in the territory to address the changing demand.

ON-GOING INITIATIVES

Public Rental Housing

Existing target of supply

13. According to the HA's Public Housing Construction Programme, there will be a total of some 75 000 new PRH units, with an annual average of about 15 000 new PRH flats, being completed during the five-year period from 2012/13 to 2016/17. Details are as follows -

| Year | Production level of PRH |
|-------------|--------------------------------|
| 2012/13 | 13 100 |
| 2013/14 | 14 100 |
| 2014/15 | 12 700 |
| 2015/16 | 20 400 |
| 2016/17 | 15 300 |

14. The above annual average production of 15 000 new PRH units is not a rigid target. We will adjust the production level should additional sites become available. We will assess the medium and long term PRH demand on the basis of the LTHS review. Apart from the annual production of new PRH flats, based on our past experience, an annual average of some 7 000 PRH flats could be recovered through voluntary surrender of flats to the HA by sitting tenants and tenancy enforcement actions against the misuse of PRH flats. These flats are available for re-allocation to those on the WL. In other words, there would be an average of some 22 000 PRH flats each year for allocation. When the new HOS units come on stream starting from 2016/17 onwards, we expect a proportion of these units would be taken up by sitting PRH tenants or Green Form holders, thus freeing up even more PRH units for re-allocation.

15. On the other hand, to ensure the rational use of PRH resources, the HA will step up its efforts to investigate the income/assets declarations made by PRH tenants, including those suspicious cases referred by frontline staff and the public, as well as those randomly

selected cases of income/assets declarations made under the “Well-off Tenants Policies”. To prevent abuse of PRH resources, the HA will also continue to take enforcement actions to detect suspected non-occupation cases.

Expediting construction works and relaxing plot ratio

16. As regards PRH construction, we have continued to improve the construction process by adopting pre-cast building technology to expedite flat construction without compromising quality. Generally speaking, for completion of a 40-storey housing stock, we now need about one year for foundation works plus two and a half years for superstructure works. The key to prompt delivery of PRH hinges essentially on securing sites which have been properly zoned for residential use and sites which are resumed, cleared and formed, with adequate provision of infrastructure: what we call “spade ready” or disposed sites. We also need to secure the support of District Councils and the local communities to public housing projects. With this, it is possible for us to advance the completion of projects in the pipeline. Furthermore, where planning permits and without compromising environmental quality, we will seek to optimize the development potential of each site and increase flat production through relaxing the plot ratio and building height restrictions.

Redevelopment of aged estates

17. The HA will critically review the redevelopment potential of its aged PRH estates, in order to increase the efficiency of the use of older sites. The objective is to increase the overall supply of PRH units while also improving tenants’ living conditions. According to the HA’s latest Refined Policy on Redevelopment of Aged Public Rental Housing Estates, in reviewing the redevelopment potential of individual aged PRH estates, the HA will examine the build-back potential and availability of suitable rehousing resources (i.e. reception estates) in addition to structural safety and cost effectiveness in repair works. This policy gives due regard to both the building sustainability and redevelopment potential of aged estates, with a view to better utilizing the land resources and increasing flat production. Pak Tin Estate is the first redevelopment project being taken forward under the Refined Policy on Redevelopment of Aged Public Rental Housing Estates. The phased clearance will start in 2014 or earlier, and some 5 650 new flats will be completed in phases between 2018 and 2023, representing a net gain of about 2 150 flats. The HA will consider the cases of other aged estates with redevelopment potential in accordance with the above policy.

Subsidised Housing

Construction of new HOS flats and the sale of the surplus HOS flats previously built

18. The Government is aware of the aspirations for home ownership in the community. We also understand that some people need HOS flats as their first step towards home ownership. To this end, the development of HOS is firmly part of our housing policy. Our planning target is to provide some 17 000 HOS flats over four years starting from 2016/17 onwards and thereafter an annual average of 5 000 HOS flats. The HA is currently carrying out relevant preparatory works for the development of the first batch of HOS flats, such as planning, design, ground investigation, and tender preparation, etc. The first batch of 2 100 HOS units should be completed in 2016/17 and will be released for pre-sale by the end of 2014. The HA will also step up efforts to identify suitable sites in different areas for housing development in the medium and long run. The LTHS review will assess the medium to long term demand for HOS.

19. Furthermore, we will release all of the remaining some 830 surplus HOS flats previously built for sale by the end of March 2013. We will adopt the arrangement under the traditional HOS flats, including those on price setting and premium payment, for the sale of the remaining surplus HOS flats. Other details will be announced one to two months prior to the sale of the flats.

HOS Secondary Market

20. In response to the home aspiration of those with White Form (WF) status during the interim period from now until the first batch of new HOS flats are completed in 2016/17, and as an interim scheme, 5 000 WF buyers each year will have the chance to purchase HOS flats with premium not yet paid. The interim scheme can also facilitate the turnover of HOS flats, thereby revitalizing the HOS Secondary Market. The first round of exercise with a quota of 5 000 opened for application on 4 January this year. The public response is very positive. The HA will issue approval letters to the first batch of 2 500 successful applicants in accordance with the priority list by the end of May, and to the remaining 2 500 in December. Applicants can apply for Certificate for Eligibility to Purchase via the HA, and purchase flats with premium not yet paid under the HOS Secondary Market or the Flats-for-sale Scheme Secondary Market of the HKHS on their own.

Subsidised sales flats of the HKHS

21. As regards Greenview Villa, the subsidised sale project implemented by the HKHS, flats there are being sold to eligible applicants at a discounted price. This will increase the supply of subsidised sale flats with a view to addressing the home ownership needs of the public. The application for the project commenced on 28 December 2012. The HKHS will announce the result of the ballot in February this year and start inviting eligible applicants to select the 988 subsidised sale flats under the project in mid-April. The Government will continue to closely collaborate with the HKHS to expedite the processing of applications and the construction works.

22. While some have suggested relaunching the former Sandwich Class Housing Scheme (SCHS) administered by the HKHS to assist the public to acquire their own home, we would like to reiterate that under the current situation where land resources are in tight supply, we consider that public resources should target at households with a monthly income of \$40,000 or below, since this income group is, relatively speaking, more in need of the Government's support. The same household income limit is also applicable to Greenview Villa. We consider that the series of HOS-related measures announced earlier, as well as the arrangement to sell Greenview Villa at discounted prices to eligible applicants, will to a certain extent provided assistance to the sandwich class. As such, we do not plan to relaunch the SCHS.

Monitoring the Development of the Private Property Market

Supply of private housing

23. At this stage, we estimate that in 2012-13, housing land supply from different sources could achieve the target of being capable of providing about 20 000 private residential flats. The Government will continue to closely monitor the land supply situation of various sources, and suitably put up more residential sites for sale depending on market reaction.

24. In the past five years, on average only 9 800 private residential flats were completed each year. Based on the projection as at end November 2012, there would be a projected supply of some 67 000 units in the first-hand private property markets in the next three to four years. These include 48 000 units under construction but not yet sold or not yet

offered for sale, 4 000 unsold units of completed projects, and 15 000 units from disposed land where construction has not started but may start anytime. Nonetheless, the actual supply of private housing units ultimately hinges on the construction progress of private developers, as well as the exact timing as to when the completed flats are offered for sale in the market.

Special Stamp Duty/Buyer's Stamp Duty

25. In the midst of a continuously exuberant state in the residential property market arising from a tight supply of flats, extremely low interest rates and the influx of capital from overseas, it is apparent that the property residential market is out of step with the economy. Property prices are rising beyond the affordability of the general public and the risk of a property bubble has increased substantially. In view of the above situation, the Government announced on 26 October 2012 new demand-side management measures, which include -

- (a) adjusting the duty rates and extending the holding period in respect of the Special Stamp Duty (SSD), as follows –
 - (i) 20% of the amount or value of the consideration if the residential property has been held for six months or less;
 - (ii) 15% of the amount or value of the consideration if the residential property has been held for more than six months but for 12 months or less; and
 - (iii) 10% of the amount or value of the consideration if the residential property has been held for more than 12 months but for 36 months or less; and
- (b) introducing a Buyer's Stamp Duty (BSD) on residential properties acquired by any person except a HKPR. The BSD is to be charged at a flat rate of 15% on all residential properties, on top of the existing stamp duty and the SSD, if applicable.

26. The objectives of these measures are to prevent further exuberance in the housing market which may pose significant risks to our macro economic and financial sector stability; and to accord priority to HKPR buyers over non-HKPR buyers under the current market situation.

27. We introduced the Stamp Duty (Amendment) Bill 2012 into the LegCo on 9 January 2013. Subject to the passage of the Bill by LegCo, the measures would take effect retrospectively on 27 October 2012 (the day after the announcement). We will work closely with LegCo in the process of its scrutiny of the Bill, with a view to implementing the measures as soon as possible. We will continue to closely monitor the market trend for private residential properties, and will introduce measures as and when necessary to ensure its healthy and stable development.

WAY FORWARD

28. The housing problem that confronts us today is a historical one that is highly complicated. While acknowledging housing issue as an acute problem, we must carefully identify the crux of the matter and overcome the challenges with determination and patience. We are set on a steady course to deliver all the initiatives set out above in accordance with our policy objectives, with a view to gradually resolving Hong Kong's housing problems and improving the livelihood of the public in the next five years and beyond.

Transport and Housing Bureau
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