

## Legislative Council Panel on Housing

### Housing-related Initiatives in the 2014 Policy Address and Policy Agenda

#### INTRODUCTION

On 15 January 2014, the Chief Executive delivered his 2014 Policy Address. This paper provides details of this year's new and ongoing housing-related initiatives as stated in the Policy Address and the Policy Agenda.

#### NEW INITIATIVES

##### *New total housing supply target*

2. The Government embarked on the long term housing strategy (LTHS) review in October 2012. A public consultation on the LTHS was conducted by the LTHS Steering Committee (the Steering Committee), which ended on 2 December 2013. As seen from the comments received during the public consultation, the public generally concurs that the severe housing problem that confronts us today stems essentially from a supply-demand imbalance and that the Government should adopt a supply-led strategy to resolve the problem. There is also considerable public support for the long term housing supply target of 470 000 units for the coming ten years as recommended by the LTHS Steering Committee, and for public housing to account for at least 60% of the new production.

3. While the LTHS Steering Committee is still compiling its report on the public consultation for submission to the Government in the first quarter of this year, as the housing problem is an imminent one that requires actions without delay and given clear public support, the Government has decided to accept, in advance, the Steering Committee's recommendation to adopt 470 000 units as the new public and private housing total supply target for the coming ten years, with public housing accounting for 60% of the new production. In this connection, public housing comprises both public rental housing (PRH) flats and subsidized sale flats (primarily Home Ownership Scheme (HOS) flats).

##### *New supply target for HOS flats*

4. In order to rebuild the housing ladder; address the home ownership aspiration of youngsters and lower to middle-income first-time home buyers; and provide an avenue for better-off PRH tenants to buy their own homes, hence releasing valuable public resources to help the grassroots who are most in need of PRH flats, the Government has decided to increase the supply target of HOS to an annual average of about 8 000 units as soon as possible.

5. In this connection, the Government has previously pledged to produce a total of about 179 000 PRH units in the coming ten years; and a total of 17 000 HOS units in the four years starting from 2016/17 and thereafter an average of about 5 000 units. With the new supply target (i.e. an annual average of about 20 000 PRH flats and 8 000 HOS flats), the supply of public housing in the coming ten years will increase by 36% when compared to the Government's previous pledge.

***Substantially increase the total supply of public housing***

6. In the past five years from 2009 to 2013, the total production of public housing units was about 75 000 units while that for private residential units was about 48 000. In the coming five years (2014 to 2018), it is estimated that about 80 000<sup>1</sup> public housing units will be produced. In addition, based on the preliminary assessment of private residential developments known to have or to be started on disposed sites, it is projected that a total of about 68 000 private residential units will be produced. Looking ahead, the production of public housing units for the next five years (i.e. 2019 to 2023) will be substantially increased to about 200 000 units. The Government will also provide land for private housing development in accordance with the new supply target. As seen from the above figures, the effect of the supply-led strategy will become more prominent.

7. Since the construction programme of some 80 000 public housing units in the coming five years has already commenced, the scope for further increase in production within this period is limited. We will have to make every effort to expedite housing production in the following five years in order to achieve the new housing supply target. The production level of about 200 000 public housing units in the following five-year period will be 2.5 times of the production level in the first five-year period. This is a big challenge for the Government. Action is already underway by relevant bureaux and departments to identify the land required. However, public's support is essential to enable us to complete the planning and other relevant procedures for the land identified in a timely manner. A substantial increase in housing production will inevitably affect the local community concerned. The Government will strive to minimize such impact. The Government will also ensure that the Hong Kong Housing Authority (HA) will have sufficient financial resources, and that the construction industry will have the necessary manpower to cope with these housing projects.

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<sup>1</sup> According to the Public Housing Construction Programme of the Housing Authority as at end December 2013 and the flats production forecast of the Hong Kong Housing Society as at November 2013.

8. The Government is determined to realize the new supply target. However, we must obtain the support of the general public and the local community, particularly when sometimes have to make difficult choices in balancing needs of different sectors.

### ***Subdivided units***

9. It is the Government's existing policy to eradicate subdivided units (SDUs) in industrial buildings. As for SDUs in residential and composite buildings, relevant Government departments will continue to strengthen their enforcement action against irregularities relating to building and fire safety.

10. One suggestion put up for public consultation in the LTHS consultation document is to introduce a licensing or landlord registration system for SDUs in residential and composite buildings. Views collected during the public consultation indicate that members of the public are greatly concerned about the safety and living conditions of SDUs. At the same time, many oppose the licensing/ registration idea on grounds that without a package of measures such as the provision of transitional housing and coupled with some kind of rental control and tenancy protection, the proposed licensing or landlord registration system would result in a reduction in the supply of SDUs, which would push up rents. Some are also concerned that the landlords of such licensed or registered SDUs would pass on to tenants the costs of complying with the licensing or registration requirements. If so, the proposed licensing or landlord registration system would not effectively be able to help those SDU tenants which the proposal sets out to assist in the first place. Having regard to public concerns and the wider policy implications, the Government needs to examine the proposal further and carefully assess the pros and cons when examining its feasibility. The Government will take into account the views from stakeholders and concern groups.

### ***Follow-up to the LTHS Consultation Report***

11. As mentioned above, the LTHS Steering Committee will submit a report on the LTHS public consultation to the Government in the first quarter of 2014. The Government will carefully consider the consultation report and other views collected in formulating the LTHS to be announced later this year. Follow-up action on various recommendations will also be taken to formulate relevant policy initiatives.

### **ONGOING INITIATIVES**

12. Apart from the above new measures, the Government will continue with the following initiatives.

***Providing PRH to low-income families who cannot afford private rental accommodation, with a target to maintain the average waiting time at around three years for general applicants on the Waiting List***

13. The Government and the HA's objective is to provide PRH to low-income families who cannot afford private rental accommodation to meet their basic housing needs, with the target to maintain the average waiting time (AWT) at around three years<sup>2</sup> for general applicants on the Waiting List (WL). With the increasing number of WL applicants and the lead time required to make available new supply of PRH units, we will continue to face tremendous challenges maintaining the AWT target. In this connection, the HA will step up measures to ensure the rational use of precious PRH resources and at the same time collaborate closely with relevant Government departments in identifying more land for PRH development.

***Taking forward the existing target of producing at least 179 000 PRH flats over the ten-year period from 2012/13 to 2021/22***

14. The HA has put in place a five-year Public Housing Construction Programme (PHCP) which will be rolled forward on a yearly basis. For the five year period from 2012/13 to 2016/17, there will be a total production of about 79 000 PRH flats. The HA completed the construction of some 13 000 PRH flats in 2012/13. According to the latest rolling PHCP announced for the five year period from 2013/14 to 2017/18, there will be a total production of about 82 000 PRH flats. Work on these units is fully underway and the HA is confident of its ability to deliver the units in accordance with the programme.

15. The Government has previously made a commitment to increase the supply of PRH with a production target of at least 100 000 units over the five years starting from 2018. With the concerted efforts of all relevant departments, the Government has already identified sufficient land to meet this production target. Besides, preparatory work has already started to ensure that all the land identified for PRH development is made available in a timely manner.

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<sup>2</sup> Under the established methodology, waiting time refers to the time taken between registration on the Waiting List and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). The average waiting time for general applicants refers to the average of the waiting time of general applicants housed to PRH in the past 12 months.

***Pressing ahead with the optimisation of the development potential of each public housing site and increasing flat production through relaxing the plot ratio and building height restrictions where planning conditions permit and without compromising environmental quality***

16. In view of the current tight housing supply situation, there is an imminent need to make more effective use of our precious land resources to increase flat production, especially that for public housing. To this end, we will continue to actively explore all feasible ways to optimize the development potential of available public housing sites. We will also continue to liaise closely with relevant departments and explore ways to increase public housing production by relaxing plot ratio and building height restrictions without compromising the living environment.

***Continuing to review the redevelopment potential of aged PRH estates to optimise the use of valuable land resources with a view to increasing PRH flat production***

17. In order to identify more redevelopment opportunities, the HA has been studying comprehensively the redevelopment potential of existing aged PRH estates, in particular those estates with a high buildback capacity, according to the “Refined Policy on Redevelopment of Aged Public Rental Housing Estate” (the Refined Policy) currently in force. A review on the redevelopment potential and feasibility of 22 aged PRH estates has been completed.

18. As set out in the 2014 Policy Address, the Government has decided to partially lift the administrative moratorium on development in Pokfulam. This will give us the chance to redevelop Wah Fu Estate. Moving to the next step, we will conduct detailed analysis of the redevelopment case for Wah Fu Estate in accordance with the Refined Policy, which will include an assessment of its building potential upon redevelopment and the availability of suitable decanting resources. The redevelopment programme for Wah Fu Estate and related details will be announced upon the completion of the assessment and after endorsement by the HA. The local community and the District Council will be consulted in a timely manner once the development details are available.

***Ensuring the effective and rational use of PRH resources, including enhanced enforcement actions against tenancy abuse cases***

19. How to maximize the rational use of PRH resources is one of the major issues considered in the LTHS review. Moreover, the Director of Audit put forward in his Report No. 61 issued in October 2013 a number of recommendations on the allocation and utilization of PRH flats. The HA will fully consider the consultation report to be published by the LTHS Steering Committee shortly as well as the recommendations of the Director of Audit, and

will carefully review PRH-related policies (particularly the Quota and Points System, the Well-off Tenants Policies and the under-occupation policy), with a view to ensuring the proper use of valuable PRH resources.

20. As regards measures to tackle PRH tenancy abuse, the HA will continue to investigate rigorously into suspected tenancy abuse cases. In this connection, HA has adopted a three-pronged approach to tackle tenancy abuse by –

- (a) conducting flat visits to all PRH households biennially to detect tenancy abuse cases;
- (b) carrying out in-depth investigations on suspected tenancy abuse cases referred by the frontline management and the public as well as randomly selected cases; and
- (c) launching publicity programmes as well as outreach activities to enhance public awareness of the need to allocate public housing resources to those with the most pressing needs.

***Addressing the home ownership aspirations in the community by developing new HOS flats as part of our housing policy and taking forward the existing target of producing about 17 000 HOS flats over the four-year period starting from 2016/17 onwards and thereafter an average of 5 000 flats per year. The first batch of new HOS flats is scheduled for completion in 2016/17 and pre-sale in end-2014***

21. In response to the home ownership aspirations of low to middle-income first-time home buyers and youngsters, we have resumed the production of HOS flats as part of our housing policy. The first batch of about 2 200 new HOS flats will be completed in 2016/17 and pre-sale is scheduled for the end of 2014.

***Working with the Hong Kong Housing Society on the provision of subsidised flats for sale in Sha Tin and rental housing in Sha Tau Kok respectively***

22. The Government has identified a site in Sha Tin Area 36C for the Hong Kong Housing Society (HKHS) to develop a housing project similar to the HOS, which is expected to provide about 1 000 subsidised sale units. We are now working with the HKHS on the implementation details. Construction is expected to commence in 2014 for completion in 2018. Separately, to address the housing needs of the local residents, the HKHS was also invited to develop some 130 public rental housing units in Sha Tau Kok. We are discussing with the HKHS on the details of the land grant. The HKHS estimates that the construction will also commence this year and is expected to complete in 2016.

***Implementing the interim scheme to allow an annual quota of 5 000 buyers with White Form status to purchase HOS flats with premium not yet paid under the HOS Secondary Market Scheme and to conduct a review of the effectiveness of the interim scheme in the second half of 2014***

23. The interim scheme was introduced in 2013 to allow 5 000 eligible White Form (WF) applicants to purchase HOS flats with premium not yet paid in the HOS Secondary Market before the new HOS flats come on stream. Approval letters were issued to successful applicants in two batches in end May and end December 2013 respectively. As at end December 2013, about 920 applications for Letter of Nomination have been approved. We will review the effectiveness of the interim scheme in the second half of 2014, taking into account the response of the public and applicants.

***Improving and expediting the construction process by widening the use of pre-cast building technology and streamlining administrative procedures without compromising housing quality and site safety***

24. The HA and the Government have been adopting a pragmatic approach to expedite public housing construction as far as practicable without compromising site safety and the quality of construction works. The HA has taken steps to minimize the production process and now needs about half a year for tendering, one year for foundation works plus two and a half years for superstructure works for completion of a 40-storey housing block in general. The HA will continue to enhance and streamline the administrative procedures for public housing development by bringing in advance building technology and equipment. The HA is also actively exploring the feasibility further to extend the use of prefabricated technology and to procure essential building materials and components that can help save construction manpower resources and shorten the construction time.

***Healthy Private Residential Property Market***

25. The Government will continue to provide land for private residential development. As at end December 2013, we estimate that in the coming three to four years, a total of about 71 000 units will be provided in the primary residential property market. These include about 5 000 unsold units in completed projects, about 50 000 units under construction but not yet sold or not yet offered for sale, and about 16 000 units from disposed land where construction has not started but may start anytime.

***Working with LegCo in the examination of the Stamp Duty (Amendment) Bill 2012 on demand-side management measures***

26. In response to the irrationally exuberant property market caused by factors including demand and supply imbalance, low interest rate and abundant liquidity environment, the Government announced the introduction of the Buyer's Stamp Duty and the enhanced Special Stamp Duty in October 2012 in order to reduce the risk of a property bubble, prevent property prices from further deviating from economic fundamentals, and accord priority to the home ownership needs of Hong Kong permanent residents in the midst of the tight housing supply situation. The measures have been effective in cooling down the overheated property market and have changed the irrational expectation that property prices could only go up further.

27. The relevant Bills Committee of the Legislative Council has completed the scrutiny of the Stamp Duty (Amendment) Bill 2012 which implements the relevant measures. Our target is to resume the second reading of the Bill in February 2014.

***Implementing the Residential Properties (First-hand Sales) Ordinance***

28. The Residential Properties (First-hand Sales) Ordinance ("the Ordinance") came into full implementation on 29 April 2013. The Sales of First-hand Residential Properties Authority (SRPA) came into operation thereafter.

29. The SRPA considers that the Ordinance has been effective in facilitating prospective purchasers of first-hand residential properties to get hold of information in relation to first-hand residential properties offered for sale and the relevant transaction information in the first-hand residential property market. As a result, prospective purchasers of first-hand residential properties are now more aware of their rights and are more capable to protect their interests. Moreover, the sales of first-hand residential properties have become more transparent, fairer and more orderly. Vendors of first-hand residential properties and related parties have demonstrated that they have been able to adapt to the requirements of the Ordinance without significant problems.

30. Since the full implementation of the Ordinance on 29 April 2013 and up to 6 January 2014, vendors have offered for sale about 8 700 first-hand residential properties in 58 residential developments.

31. Since more and more first-hand residential properties are expected to be offered for sale in future, the SRPA will step up its efforts to conduct compliance checks, handle complaints, carry out investigations, educate the trade and the public, with a view to further enhancing the transparency and fairness of the sales of first-hand residential properties, strengthen consumer protection, and provide a



level playing field for vendors of first-hand residential properties.

### ***Improving Quality of Living in Public Rental Housing***

#### *Implementing arrangements to promote mutual family support and care for the elderly*

32. To commit full support to the Government's elderly policy to 'aging in place' and with a view to strengthening family cohesion, various housing arrangements have been adopted by the HA to cater for the needs of different households, especially for the elderly tenants. Notably, enhanced housing arrangements under the banner of the Harmonious Families Policies (HFP) have been fully implemented since January 2009. The number of households which have benefited from these schemes is as follows -

<b>Enhanced Public Housing Arrangements</b>	<b>Number of Households Benefited (As at end December 2013)</b>
Harmonious Families Priority Scheme	13 930
Harmonious Families Addition Scheme	13 160
Harmonious Families Transfer Scheme	1 480
Harmonious Families Amalgamation Scheme	580
<b>Total</b>	<b>29 150</b>

33. To build caring and cohesive communities, the HA will continue to publicise the enhanced initiatives. In addition, the HA will closely monitor and conduct further reviews on the effectiveness of the HFP. The experience gained from the implementation of these schemes will be used to make appropriate fine-tuning where necessary.

#### *Improving the living conditions of overcrowded PRH households by implementing measures to provide them with transfer opportunities to larger accommodation*

34. According to the prevailing space allocation standards, PRH households with a living area of less than 5.5 meter square (m<sup>2</sup>) Internal Floor Area (IFA) per person is considered to be "overcrowded". In 2001, the HA launched the Territory-wide Overcrowding Relief Transfer (TWOR) exercises. These are now held once or twice a year to enable overcrowded households to apply for transfer to larger flats. The Living Space Improvement Transfer Scheme (LSITS) was introduced in 2005 to allow PRH households living in flats with an average IFA of less than 7 m<sup>2</sup> per person to apply for transfer to larger flats. The latter is launched once a year. As a result of these proactive exercises, the number of overcrowded households has dropped from 3.1% of all PRH households in 2001 to about 0.44% of all PRH households as at end September 2013.

35. The TWOR and LSITS exercises serve to improve the living environment of overcrowded PRH households. Where resources permit, we will continue to launch these exercises. For the time being, however, we will maintain the current standards for TWOR and LSITS exercises.

*Implementing the Lift Addition Programme in PRH estates including the installation of lifts in hillside estates with common areas in different levels and beside existing footbridges in estates to facilitate access of residents*

36. Since 2009, the HA has been enhancing pedestrian access to and within PRH Estates in response to the needs of our tenants. This is of particular benefit to the elderly and disabled persons living in estates built on hillside to ensure there is general barrier-free access. The measures include the provision of new lifts, escalators and footbridges as far as practicable in external areas within estate boundaries to connect platforms with large-level differences. Where technically feasible, lifts will be added to existing low-rise domestic blocks without lift services.

37. The Stage 1 Lift Addition Programme which includes the addition of 70 lifts, 6 escalators and 18 footbridges in 29 existing PRH estates has been completed. To further the improvements to the living environment in PRH estates, the Lift Addition Programme has become a rolling programme under the HA starting from 2013/14. The second stage of the Lift Addition Programme has commenced in early 2013.

38. To tie in with the Government's initiative to promote "Universal Accessibility", the HA will also consider, under the Lift Addition Programme, proposals to add lifts beside existing footbridges connecting PRH estates.

*Promoting sustainable public housing developments by designing for green and healthy living*

39. The HA seeks to develop public housing in a sustainable manner by incorporating various environmental factors during the planning and design stages, adopts a site-specific design approach and optimizes the use of natural resources, under which the best scheme design for each individual site will be determined according to the result of the Air Ventilation Assessment. The HA will continue to conduct comprehensive micro-climate studies, first introduced in 2004 in all new public housing developments so as to match block design with local environmental and climatic characteristics and to reduce energy consumption. PRH tenants will also benefit from the resulting measures as they can enjoy natural ventilation and daylight.

40. Furthermore, the HA will continue to adopt environmentally friendly measures to reduce energy consumption and carbon emissions, such as the use of the twin-tank system to reduce wastage in water tank cleansing, and the installation of photovoltaic panel system on the roof of public housing blocks to generate renewable energy. The HA will continue to make improvements to the block design of new public housing development with a view to ensuring a comfortable and sustainable living environment in all estates.

*Continuing with various environmental initiatives such as domestic waste recycling, enhancing energy saving, water conservation and greening in PRH estates*

41. Other than adopting sustainable design in newly built PRH estates, the HA is committed to put forward a series of environmentally friendly measures in existing PRH estates with a view to pursue green and healthy living.

42. The Housing Department (HD) has joined hands with the Environmental Protection Department (EPD) and the recycling industry to promote domestic waste recycling and reduction. Many schemes have been implemented in PRH estates in this regard, such as the Source Separation of Domestic Waste Scheme<sup>3</sup> and the Glass Bottles Recycling Trial Scheme spearheaded by the EPD, the Food Waste Recycling Trial Scheme etc. The results of these schemes are promising. We will continue our efforts to promote the reduction and recycling of domestic waste in various ways in collaboration with the EPD and the recycling industry.

43. Apart from domestic waste recycling, the HD has been implementing energy saving measures to reduce electricity consumption in existing PRH estates. A prime example is the replacement programme in all existing PRH estates for energy-saving electronic ballast launched in 2012/13. The replacement work for all PRH estates is expected to be completed by 2015. As to Greening, the HD completed thematic gardens in two existing PRH estates in 2012/13. In addition, the HD has also completed landscape improvement works at 18 estates and established community gardens in 10 estates. We will maintain our efforts in this regard.

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<sup>3</sup> The Scheme aims to encourage the practice of separation of domestic waste at source. The HD collected about 27 600 tonnes of waste paper, 1 930 tonnes of plastic bottles and 1 130 tonnes of aluminum cans in 2012/13 under the scheme.

*Increasing the greening ratio of all new public housing development projects over two hectares to at least 30% and to at least 20% for smaller sites. We will also provide green roofs in low-rise buildings and provide vertical greening in these projects wherever feasible*

44. The HA provides at least one square metre of open space per person for residents in public housing developments. To reduce the heat island effect in urban areas, the HA has since 2010 increased the green coverage for all new public housing projects with site area over two hectares to 30% or above with a minimum of 20% for smaller sites. Furthermore, to create more decent open space for public housing residents, the HA will provide more planting at grade. Roof greening and vertical greening will also be incorporated in public housing blocks design as far as possible depending on individual site conditions.

*Continuing our efforts on the provision of quality property management and maintenance services in PRH estates*

45. The HA is committed to deliver quality property management and maintenance services to PRH tenants. To this end, the Total Maintenance Scheme, the Comprehensive Structural Inspection Programme and the Estate Improvement Programme have been implemented to evaluate the latest conditions of various estate facilities with a view to improving the overall living environment and to satisfy tenants' needs. Performance pledges covering various property management and maintenance services have also been formulated by the HA. The HA assesses the services delivered by property service agents and contractors on regular basis, so as to ensure that the established performance targets are achieved. In the years ahead, the HA will maintain its efforts to improve the property management and maintenance services to better meet the expectations and needs of tenants.

**Transport and Housing Bureau  
January 2014**