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Panel on Housing

Meeting on 4 January 2016

**Background brief on "Long Term Housing Strategy"
prepared by the Legislative Council Secretariat**

Purpose

This paper provides background information on the Long Term Housing Strategy ("LTHS") and a summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

Formulation of the new Long Term Housing Strategy

2. In September 2012, the Government launched the LTHS review¹ as part of its efforts to take forward its housing vision. The review aimed to ensure optimal use of the existing land and housing resources to meet housing needs of the community in the short, medium and long term. The Long Term Housing Strategy Steering Committee ("the Steering Committee")² was formed by the Government to take forward the review and make recommendations on Hong Kong's LTHS for the next 10 years.

¹ The LTHS review covered: (a) compilation, collation and comprehension of all relevant housing-related information; (b) ways to increase housing supply, including optimization of the usage of existing public and private housing stock, in the short, medium and long term; and (c) projection of housing demand for both public and private sectors to meet the needs of various groups in the community.

² The Steering Committee was chaired by the Secretary for Transport and Housing and comprised 15 non-official and three official members, namely Permanent Secretary for Transport and Housing (Housing), Permanent Secretary for Development (Planning and Lands), and Government Economist.

3. On 3 September 2013, the Steering Committee issued a Consultation Document entitled "Building Consensus, Building Homes" ("the Consultation Document")³ and embarked on a three-month public consultation ("the Consultation"). The key recommendations in the Consultation Document are set out in **Appendix I**. On 17 February 2014, the Steering Committee submitted its report on the Consultation to the Government for consideration. A summary of the views collected during the Consultation is in **Appendix II**.

4. On 16 December 2014, the Government promulgated the new LTHS and released the "LTHS Implementation Milestones as at December 2014"⁴. The new LTHS incorporated the major recommendations of the Steering Committee and the views gathered during the Consultation. The Administration made a major policy shift by adopting a supply-led strategy with a view to averting the supply-demand imbalance. In addition to increasing the supply of public and private housing, the Administration would also seek to ensure the rational use of PRH resources and consider how to expand the forms of subsidized home ownership.

5. Based on the then latest projection of long-term housing demand, the total housing supply target was set at 480 000 units for the 10-year period from 2015-2016 to 2024-2025, with the public/private split of 60:40. Accordingly, the public housing supply target was 290 000 units, comprising 200 000 PRH units and 90 000 subsidized sale flats, whereas the private housing supply target was 190 000 units. In terms of land supply, the Administration had secured the necessary land sites for building up to 254 000 public housing units.

6. In order to capture changes over time, the Government has adopted the recommendation of the Steering Committee to review the long term housing demand projection on an annual basis.

Establishment of a Housing Reserve

7. To meet the 10-year public housing supply target as set out in LTHS, the Financial Secretary announced on 18 December 2014 that the Government had established a Housing Reserve at about \$27 billion.

³ The Consultation Document set out the Steering Committee's views and recommendations on the proposed LTHS, encompassing issues such as the vision for LTHS, the projection of long term housing demand, the housing needs of specific groups in the community, measures to maximize the rational use of public rental housing ("PRH") resources, the role of various housing delivery agents and measures to increase housing supply, etc.

⁴ The documents are available from the following website of the Transport and Housing Bureau ("THB"): <http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

Subcommittee on the Long Term Housing Strategy

8. In view of the importance of LTHS, the Panel appointed the Subcommittee on the Long Term Housing Strategy ("the Subcommittee") at its meeting on 3 December 2012 to discuss various issues covered in the LTHS review and make recommendations on LTHS. The Subcommittee held a total of 11 meetings and received views from the public. The Subcommittee concluded its work and submitted a report⁵ to the Panel on 7 July 2014.

Deliberations of the Panel on Housing

9. The Panel received a briefing by the Administration on the new LTHS at its meeting on 5 January 2015. A special meeting was held on 21 March 2015 to receive public views. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Public rental housing

10. Members in general expressed concern that the PRH supply target of 200 000 units under the new LTHS could hardly meet the huge demand from some 260 000 PRH applicants on the Waiting List. They queried whether the Hong Kong Housing Authority ("HA") could maintain the average waiting time ("AWT") at around three years, and urged HA to expedite the redevelopment of aged estates.

11. The Administration advised that the number of PRH flats available for allocation per year should be more than the number of completed units given that about 7 000 units would be recovered from sitting tenants annually. Although the increasing number of PRH applicants was putting an immense pressure on AWT, it was still the target of HA to maintain AWT at around three years for general applicants. Given the lead time required for housing development, housing supply for the first few years of the 10-year period from 2015-2016 to 2024-2025 had largely been fixed. Nevertheless, the Administration had already identified land for the construction of 254 000 public housing units, and the majority of them would be made available in the latter part of the 10-year period.

⁵ See [LC Paper No. CB\(1\)1705/13-14](#)

Subsidized sale flats

12. The Panel noted that the Administration would remain open on the means to expand the forms of subsidized home ownership as set out in the new LTHS, and would explore suitable arrangements to leverage on the private sector's capacity to supplement the Government's efforts in providing subsidized sale flats.

13. Some members reiterated their request for increasing the supply of rental units in the market by revitalizing the rental market of some 300 000 subsidized sale flats with premium not yet paid. There was a view that owners of subsidized sale flats should be allowed to lease out their premises to Green Form ("GF")⁶ applicants at a rate lower than the market rent. The Administration stressed that the purpose of providing subsidized sale flats was to help the low to middle-income households to purchase their own homes. To facilitate the circulation of subsidized sale flats, the Administration would consider ways to make better use of such housing resources by allowing more people to have access to subsidized sale flats, either with or without premium paid.

14. While expressing support for the Administration to expand the forms of subsidized home ownership, some members cautioned the Administration against re-launching the Tenants Purchase Scheme ("TPS"). The Administration indicated that it had no plan to re-launch the scheme having regard to the various problems associated with the management of the remaining PRH flats in TPS estates. Nevertheless, sitting tenants in the existing 39 TPS estates could still opt to buy the rental flats in which they lived.

Supply of land, labour and finance for the new housing initiatives

15. Members stressed the importance of early identification of land for housing purpose. Concern was raised as to whether and how the Administration could meet the shortfall of land for producing 36 000 public housing units as the Administration had only identified land for the construction of 254 000 public housing units. Members were also worried about the difficulty to attain the flat supply target in the midst of the construction sector labour shortage and rising construction costs.

16. The Administration assured members that it was expeditiously taking forward a series of major land development projects and was adopting a multi-pronged strategy to increase land supply. Among other measures, it had

⁶ Those eligible for GF status include sitting PRH tenants and PRH applicants who have passed the detailed eligibility vetting and are due for allocation of PRH in about a year's time.

identified some 150 potential housing sites, most of which might be made available for housing development in the five years from 2014-2015 to 2018-2019. As announced by the Financial Secretary on 18 December 2014, a Housing Reserve had been established for the purpose of financing the development of public housing and public housing-related projects and infrastructure.

Tenancy control

17. Members noted that the rental index for private domestic units had increased by 109% over the past 10 years. Some members reiterated their request for reinstating tenancy control to alleviate the financial burden on grassroots tenants of private rental housing. In particular, the Administration should protect the tenancy of subdivided units ("SDUs"), cubicles and bedspaces at a rent of \$5,000 per month or below as such tenants were reportedly charged excessive rents or evicted without justifiable reasons. Consideration should also be given to mandating landlords and tenants to enter into a tenancy agreement that would need to be duly stamped. The Panel passed a motion at the meeting on 5 January 2015 urging the Government to consider and review afresh those tenancy control measures which were not of an across-the-board nature in order to alleviate the difficulties faced by SDU tenants.

18. The Administration advised that it would not be in the overall public interest to rush into any tenancy control measures as such measures might lead to unintended consequences to the property market and tenants. For instance, partial reinstatement of tenancy control at a particular rent level might reduce supply and lead to higher asking rents for the controlled premises, thereby aggravating the problems faced by the households who were in need of these premises. Nevertheless, with the estimated supply of 74 000 units of first-hand private residential flats for the coming three to four years whilst public housing production was in full swing, it was envisaged that a large number of flats (for sale or lease) would be made available in the market in the coming years and this would help address the housing needs of tenants including SDU tenants.

Recent developments

19. On 18 December 2015, the Government released the LTHS Annual Progress Report 2015⁷. Based on the latest projection, the Government has adopted 460 000 units as the total housing supply target for the 10-year period from 2016-2017 to 2025-2026, with the public/private split of 60:40 remained unchanged. The public housing supply target would be 280 000 units,

⁷ The document is available from the following website of THB:
<http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

comprising 200 000 PRH units and 80 000 subsidized sale flats, while the private housing supply target would be 180 000 units.

20. On land supply, the Government has identified land for the construction of about 255 000 public housing units for the 10-year period from 2016-2017 to 2025-2026, assuming that all sites identified can be delivered on time for housing construction.

21. The Financial Secretary announced on 18 December 2015 that on top of the initial sum of \$27.5 billion earmarked for the Housing Reserve in 2014 which now measured \$29 billion given the interest accrued, the Government has decided to make a further injection of about \$45 billion to secure the long-term and sustained delivery of the housing targets.

Latest position

22. The Administration will brief members on the LTHS Annual Progress Report 2015 at the Panel meeting on 4 January 2016.

Relevant papers

23. A list of relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
30 December 2015

The key recommendations in the Consultation Document entitled "Building Consensus, Building Homes"

- (a) The Government should enhance its role in the provision of housing in order to resolve the problem of supply-demand imbalance. The future housing strategy should be supply-led.
- (b) The total housing supply target for the next 10 years (i.e. from 2013-2014 to 2022-2023) should range from 440 000 units to 500 000 units, with a proposed supply target of 470 000 units.
- (c) The public/private split for the new housing supply target for the next 10 years should be 60:40 (public housing includes both public rental housing ("PRH") and subsidized sale flats). There is also a need for an increase in the supply of Home Ownership Scheme ("HOS") flats above the number which the Government has pledged.
- (d) Low-income elderly and low-income families on the Waiting List ("WL") should be given priority for PRH and the average waiting time ("AWT") target of about three years for general applicants on the WL for PRH should be maintained. Consideration should be given to refining Quota Points System by progressively reducing the waiting time for those non-elderly one-person applicants above the age of 35. The feasibility of building dedicated PRH blocks for singletons at suitable fill-in sites within existing PRH estates should also be explored.
- (e) The Government should step up its enforcement actions to eradicate subdivided units ("SDUs") which are illegal and in breach of building and fire safety regulations, and to consider introducing a licensing or landlord registration system to better regulate the safety and hygiene conditions of SDUs in residential and composite buildings. At the same time, the feasibility of providing special transitional housing on temporarily vacant Government owned sites should also be explored.
- (f) An effective housing ladder should be established and the supply of HOS flats should be increased with a view to assisting the younger generation to purchase flats according to their own affordability.
- (g) As regards the calls to provide rent assistance to the grassroots and to implement rental control (including rent control), the Steering Committee is concerned that such measures would be counter-productive under a tight supply market situation, as any rent subsidy provided by the

Government would most likely lead to upward pressure on rental levels. The suggestion to re-launch the "Home Starter Loan Scheme" is also considered inappropriate under the current acute housing supply situation lest flat prices will be pushed up.

- (h) The various procedures and approval requirements in relation to planning and land administration should be reviewed in order to speed up the release of land resources to meet the urgent need for a substantial increase in housing; and to strike a balance between development and a sustainable environment in accordance with the community's consensus.
- (i) Future new towns should be developed as self-sustained communities in an "integrated" manner. In the long run, the average living space should be progressively increased, perhaps starting with PRH in non-urban districts.

Source: Paragraph 90 of the Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. [CB\(1\)1705/13-14](#)).

A summary of the views collected during the Consultation

The views collected during the Consultation indicate that there is wide public support on the following issues –

- (a) a supply-led strategy with public housing accounting for a higher proportion of the new housing production;
- (b) the long term housing supply target of 470 000 units for the coming 10 years, with public housing making up a higher proportion of at least 60% of the new housing production;
- (c) higher priority should be accorded to addressing the housing needs of inadequately housed households;
- (d) building more flats under HOS to meet the home ownership aspirations of youngsters and first-time home buyers;
- (e) the AWT for PRH for general applicants on the WL should be maintained at about three years, and that more should be done to ensure the rational use of precious PRH resources; and
- (f) there should be more private sector participation in the provision of subsidized housing. Further efforts should be made by the Government to facilitate housing development, both in terms of streamlining the housing development processes and strengthening manpower resources in the construction industry.

On the other hand, the public have expressed divergent views on a number of issues, including the introduction of a licensing or a landlord registration system for SDUs; and the reinstatement of some form of rental control (including control on rent and the security of tenure).

Long Term Housing Strategy

List of relevant papers

Council/ Committee	Date of meeting	Papers
Subcommittee on the Long Term Housing Strategy	27 September 2013	<p>Administration's Consultation Document on "Long Term Housing Strategy: Building Consensus, Building Homes" (LC Paper No. CB(1)1756/12-13(01))</p> <p>Administration's paper on "Long Term Housing Strategy Consultation Document" (LC Paper No. CB(1)1818/12-13(01))</p> <p>Information note on "Long Term Housing Strategy" prepared by the Research Office of the Legislative Council Secretariat (LC Paper No. IN27/12-13)</p> <p>Minutes of meeting (LC Paper No. CB(1)1293/13-14)</p> <p>Administration's supplementary information note on "Assessing the Vacancy Situation of Housing Units in Hong Kong" (LC Paper No. CB(1)194/13-14(01))</p> <p>Administration's supplementary information note on "Projection of Long Term Housing Demand" (LC Paper No. CB(1)194/13-14(02))</p>
Subcommittee on the Long Term Housing Strategy	14 March 2014	<p>Administration's paper on "Long Term Housing Strategy Report on Public Consultation" (LC Paper No. CB(1)1053/13-14(01))</p> <p>"Long Term Housing Strategy Report on Public Consultation" published by the Long Term Housing Strategy Steering Committee" (LC Paper No. CB(1)915/13-14(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)1611/13-14)</p>

Council/ Committee	Date of meeting	Papers
Panel on Housing	7 July 2014	Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. CB(1)1705/13-14)
Panel on Housing	5 January 2015 and 21 March 2015	Administration's paper on "Long Term Housing Strategy" and "Long Term Housing Strategy Implementation Milestones as at December 2014" (LC Paper No. CB(1)352/14-15(01)) Background brief on "Long Term Housing Strategy" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)384/14-15(03)) Minutes of meetings (LC Paper No. CB(1)482/14-15 and LC Paper No. CB(1)855/14-15)