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Panel on Housing

Meeting on 9 January 2017

**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. Information about the LTHS review is available via the following hyperlink: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/>.

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 public rental housing ("PRH") resources and consider how to expand the forms of subsidized home ownership.

5. As recommended by the Steering Committee, the Government would update the long term housing demand projection annually and presents a rolling 10-year housing supply target in order to capture social, economic and market changes over time and to make timely adjustment where necessary. The annual exercise serves as an important policy tool to enable the Government to continually plan ahead in order to meet the housing need of the community over the long term.

Establishment of a Housing Reserve

6. To meet the 10-year public housing supply target as set out in LTHS, the Government established a Housing Reserve. On top of the initial sum of \$27.5 billion earmarked for the Housing Reserve in 2014 (which measured \$29 billion given the interest accrued), the Government made a further injection of about \$45 billion in the 2016-17 Budget with a view to securing the long-term and sustained delivery of the housing targets.

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 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: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

Deliberations of the Panel on Housing

7. 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 Administration further briefed the Panel on the LTHS Annual Progress Report 2015 at the meeting on 4 January 2016. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Adjustment of housing supply targets

8. Some members criticized the Administration's annual updating of the long term housing demand and supply projections on an annual basis as a means to avoid making a fixed commitment on housing supply. In the view of these members, the figures so determined would be prone to manipulation by the Administration.

9. The Administration responded that as recommended by the Steering Committee and subsequently set out in LTHS, the Administration was committed to presenting a rolling 10-year housing supply target in order to capture social, economic and market changes over time and to make timely adjustment where necessary. The Administration recognized that Hong Kong was still facing supply-demand imbalance in housing, with keen demand from the community for public housing, and property prices and rentals remained at a high level. In this connection, the Administration would not scale down its housing production programme, and would continue to spare no efforts in identifying land to meet the long term housing need of the community.

Public rental housing

10. Members in general expressed concern that the PRH supply target under the new LTHS could hardly meet the huge demand from PRH applicants on the Waiting List. Noting that the average waiting time ("AWT") was considerably longer (3.6 years in 2015) than the target of three years, they queried whether the Hong Kong Housing Authority ("HA") would seek to restore AWT to around three years through maintaining or increasing the public housing supply target, despite the development that the rolling 10-year total housing supply target as projected in December 2015 saw a slight reduction from 480 000 to 460 000. Members also 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 had largely been fixed. The Administration had already identified land for the construction of 255 000 public housing units, and the majority of them would be made available in the latter part of the 10-year period. The Administration considered it necessary to continue its efforts in increasing and expediting the supply of PRH units while maintaining the split between new public and private housing supply at 60:40.

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 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")⁵ 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.

⁵ 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.

15. On the other hand, the Administration further advised that in the 2015 Policy Address, the Chief Executive proposed to HA that suitable flats among its PRH developments under construction be identified for sale to GF applicants, who were mainly sitting PRH tenants, in the form of a pilot scheme, known as the Green Form Subsidised Home Ownership Pilot Scheme ("GSH"). A PRH development at San Po Kong had been selected for this purpose. As the whole development would be for sale, GSH would avoid the management problems of TPS.

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

16. 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 25 000 public housing units as the Administration had only identified land for the construction of 255 000 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. Some members expressed concerns about the extent of impact of judicial review cases on public housing production.

17. The Administration assured members that it was taking forward a series of major land development projects expeditiously and was adopting a multi-pronged strategy to increase land supply. Among other measures, it had 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. On the subject of judicial review cases, the Administration acknowledged that production of several thousand public housing units were on hold due to the judicial review on the amendment proposals to the relevant Outline Zoning Plans.

Brownfield sites

18. Members asked whether the Administration would develop the vast tracts of brownfield sites in the New Territories to provide the land resource needed for public housing, and coordinate inter-departmental efforts in the relevant implementation. The Administration advised that brownfield sites were mainly located in the northern and northwestern parts of the New Territories. Rather than developing brownfield sites individually, comprehensive planning and infrastructural enhancement would be necessary before they could be developed for high-density developments including housing and other purposes. It should be noted that served large areas of brownfield sites were already encompassed

in the Government's medium to long-term land supply projects, such as the Hung Shui Kiu New Development Area ("NDA") (involving 190 hectares ("ha") of such land), Yuen Long South (involving over 100 ha of such land) and Kwu Tung North and Fanling North NDAs (involving about 50 ha of such land).

19. The Administration also affirmed that inter-departmental coordination was in place in conducting and overseeing the planning and engineering studies for the development of these areas. In addition, a cross-bureau task force led by the Development Bureau was also established to identify more land-efficient ways to optimize the use of land currently occupied by brownfield operations. Notwithstanding this, as it took time to carry out comprehensive planning and infrastructural enhancement for the development of brownfield sites, the most immediate way to augment housing land supply in the short to medium term was to make more optimal use of the developed areas in the existing urban areas and new towns, as well as areas in the vicinity of existing infrastructures, including Green Belt sites.

Private housing

20. Noting that the rental index for private domestic units had increased significantly over the past decade, members enquired about the Administration's short-term measures to relieve the rental burden on grassroots tenants in private housing. The Administration emphasized that the most effective way to address the housing needs of the inadequately-housed households was to increase the supply of public housing, and that introducing other short-term measures might be ineffective in the midst of tight housing supply. For example, introducing rent subsidies might benefit the landlords instead.

Tenancy control

21. 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. In the view of these members, 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.

22. 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

23. On 20 December 2016, the Government released the LTHS Annual Progress Report 2016⁶ ("the Report"). The key housing targets spelt out in the Report for the 10-year period from 2017-2018 to 2026-2027 remain the same as those in the 10-year period ending 2025-2026 and are set out below –

Total housing supply target	460 000 units
Public/private split	60:40
Public housing supply target	280 000 units (200 000 PRH units + 80 000 subsidized sale flats)
Private housing supply target	180 000 units

According to the Report, the latest AWT for general PRH applicants is **4.5 years**. Among them, the AWT for elderly one-person applicants is **2.4 years**.

24. On land supply, the Government has identified land for the construction of about 236 000 public housing units for the 10-year period from 2017-2018 to 2026-2027, assuming that all sites identified can be delivered on time for housing construction. The Administration acknowledges that there is a gap in the public housing supply target.

⁶ The document was issued via LC Paper CB(1)350/16-17(01) and is available from the following website of Transport and Housing Bureau:
<http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

Latest position

25. The Administration will brief members on the LTHS Annual Progress Report 2016 at the Panel meeting on 9 January 2017.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
5 January 2017

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)
Panel on Housing	4 January 2016	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2015" (LC Paper No. CB(1)335/15-16(01)) Background brief on "Long Term Housing Strategy" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)361/15-16(03)) Minutes of the meeting (LC Paper No. CB(1)601/15-16)