

**For discussion
on 6 February 2017**

Legislative Council Panel on Housing

Housing-related Initiatives in the 2017 Policy Address and Policy Agenda

On 18 January 2017, the Chief Executive delivered his 2017 Policy Address. This paper introduces this year's ongoing housing-related initiatives as stated in the 2017 Policy Address and the Policy Agenda.

Long Term Housing Strategy

2. Having appointed a steering committee to formulate the Long Term Housing Strategy (LTHS) and to conduct public consultation, the current-term Government promulgated the LTHS on 16 December 2014. The LTHS adopts the “supply-led” and “flexible” principles and sets out three major strategic directions: (a) to build more public rental housing (PRH) units and to ensure the rational use of existing PRH resources; (b) to provide more subsidised sale flats (SSF), expand the form of subsidised home ownership and facilitate market circulation of existing flats; and (c) to stabilise the residential property market through steady land supply and appropriate demand-side management measures, and to promote good sales and tenancy practices for private residential properties. According to the projection method stated in the LTHS, the Government updates the long term housing demand projection annually, and on this basis, presents a rolling ten-year housing supply target in order to capture socio-economic changes over time and to make timely adjustment where necessary.

3. Based on the latest housing demand projection, the Government has adopted 460 000 units as the total housing supply target for the ten-year period from 2017-18 to 2026-27, while maintaining the 60:40 split between public and private housing supply. Accordingly, the public housing supply target is

280 000 units, comprising 200 000 PRH units and 80 000 SSF. The private housing supply target is 180 000 units. The projection method and results are set out in details in the LTHS Annual Progress Report 2016 published on 20 December 2016. We have also briefed the Legislative Council (LegCo) Panel on Housing on the above on 9 January this year.

Provision of Public Housing

Public Rental Housing

4. It is the objective of the Government and the Hong Kong Housing Authority (HA) to provide PRH to low-income families who cannot afford private rental accommodation, with the target of providing the first flat offer to general applicants (i.e. family and elderly one-person applicants) at around three years on average. The demand for PRH is increasing and the number of PRH applications has increased by about 45%¹ since the current term Government took office in 2012. Besides, it takes time to identify suitable land for public housing production and we are facing various kinds of challenges during the planning process. This inevitably will exert further pressure on the average waiting time². As at end-September 2016, the average waiting time for general applicants is 4.5 years. Nevertheless, we will strive to keep the long term target of providing the first flat offer to general applicants at around three years on average, so that HA can work closely with relevant government departments and the public to identify more land for PRH developments and to expedite public housing production.

¹ The number of general applicants increased from some 106 100 as at end-June 2012 to some 152 500 as at end-September 2016; while the number of non-elderly one person applicants under the Quota and Points System increased from some 93 500 as at end-June 2012 to some 134 000 as at end-September 2016. In other words, the total number of PRH applicants increased from some 199 600 as at end-June 2012 to some 286 500 as at end-September 2016, i.e. an increase of about 45%.

² Waiting time refers to the time taken between registration for PRH 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 those general applicants who were housed to PRH in the past 12 months.

Taking forward Public Housing Construction Programme

5. According to the latest published figures, over the five-year period from 2016-17 to 2020-21, HA and the Hong Kong Housing Society (HKHS) will produce a total of about 94 500 public housing units, comprising about 71 800 PRH units and about 22 600 SSF. Comparing the above projected total public housing production for the five-year period starting from 2016-17 with that of the previous four five-year periods, the projected production shows a steady increase (see table below) -

Projected total public housing production of the five-year period starting from 2016-17 as compared with the previous four five-year periods

Year	Total Production
2012-13 to 2016-17	68 900
2013-14 to 2017-18	72 800
2014-15 to 2018-19	81 400
2015-16 to 2019-20	93 100
2016-17 to 2020-21	94 500

6. As at now, assuming that all sites identified can be smoothly delivered on time for housing development, about 236 000 public housing units can be built within the ten-year period from 2017-18 to 2026-27, which lags behind the ten-year supply target. To increase supply, the Government will adopt a multi-pronged approach and will continue with land use review and rezoning, increase the development intensity, release brownfield sites, develop new development areas and moderate land reclamation, etc., in order to increase housing land supply in the short, medium and long term.

7. About 80% of the public housing projects for which we have consulted District Councils in the past six years are not “spade-ready”³. We

³ Sites that have been properly zoned and do not require resumption, clearance, reprovisioning of existing facilities, site formation or provision of additional infrastructure.

need to go through various processes to turn those sites into “spade-ready” sites and such processes require preparation time and are subject to uncertainties. We also have to face various kinds of difficulties and challenges, including planning, consultations and relevant technical studies; statutory planning and other procedures; land resumption and clearance; provisioning and reprovisioning of facilities; site formation and infrastructure provision, etc. For projects for which the community has expressed strong views, we often have to spend more time to resolve the issues. Occasionally, we will face legal challenges. For projects involving Government-funded works, such as public transport interchange, community hall, road improvement works, etc., funding approval by LegCo is essential. The time required to secure the funding approval often has an impact on the lead time for completion of the relevant public housing developments. Moreover, the time required for building construction can vary widely depending on the complexity of the projects. Individual projects may also encounter unforeseeable factors and problems such as shortage of labour, thus affecting the completion date.

8. We have briefed the LegCo Panel on Housing on the above on 15 November 2016, and provided detailed explanation in the LTHS Annual Progress Report 2016.

9. We are currently striving to increase the production of the latter half of the ten-year period and for the early completion of more public housing units. We call upon the community to maintain an open attitude towards land development and rezoning, and accept trade-offs by according priority to the to the pressing housing needs of the society, and to support the Government in achieving the long term housing supply target.

Optimise the development potential of each public housing site and maximise flat production

10. To increase housing production, we need to make more effective use of our land resources, especially in the case of public housing sites. Where planning and infrastructure permit and without compromising the environmental quality to an unacceptable extent, we will continue to actively explore all feasible ways to optimise the development potential of available public housing sites and to increase public housing production. Relevant

departments will continue to maintain close liaison and explore ways to increase public housing supply. If necessary, we will submit planning applications to the Town Planning Board for relaxation of plot ratios and building height restrictions of public housing sites so as to increase public housing supply.

Subsidised home ownership

11. Subsidised home ownership is an essential element of the housing ladder. It serves as the first step for low to middle-income families to achieve home ownership. It also provides an opportunity for PRH tenants whose financial conditions have improved to achieve home ownership, thereby releasing their PRH units for PRH applicants.

12. A total of 3 684 flats (including 2 657 new Home Ownership Scheme (HOS) flats and 1 027 SSF) by HA and HKHS were put up for pre-sale under a joint application exercise in end-February 2016. All flats were sold out by October 2016. These flats are expected to be completed in 2018 and 2019 respectively. A total of about 2 600 flats will be put up for pre-sale in 2017, comprising about 2 000 flats by HA and 600 flats by HKHS. These flats are scheduled for completion in 2018-19 and 2019-20 respectively. Looking ahead, HA is making preparation for the pre-sale of HOS projects in 2018, including preparing land leases and the deeds of mutual covenant, etc. If various preparation work can be carried out smoothly, about 4 400 HOS flats can be offered for pre-sale in 2018. This reflects our determination and efforts in providing SSF.

Green Form Subsidised Home Ownership Pilot Scheme (GSH)

13. HA has selected the PRH development at San Po Kong for conversion into GSH. The project provides a total of 857 flats. Pre-sale was launched in October 2016, and HA received a total of about 16 200 applications. Flat selection has commenced in mid-January 2017 and the flats are expected to be ready for occupation by mid-2017. After the San Po Kong project, HA will conduct a review to decide whether or not to proceed with other GSH project(s).

Interim Scheme to Extend the HOS Secondary Market to White Form Buyers

14. In January 2013, HA launched an interim scheme with a quota of 5 000 to allow eligible White Form (WF) applicants to purchase SSF with premium not yet paid in the HOS Secondary Market. Given the strong demand for SSF, HA implemented one more round of the Interim Scheme in August 2015 with a quota of 2 500. About 43 900 applications were received. As at end-December 2016, a total of around 1 510 WF buyers have successfully purchased flats through this round of Interim Scheme. Upon the completion of the new round of the Interim Scheme in the first half of 2017, HA will conduct a comprehensive review to decide on the way forward.

The rational use of PRH resources

15. As pointed out in the LTHS, while we are putting efforts to increase PRH supply, we should also ensure the rational use of PRH resources. The analysis in paragraphs 4.7 and 4.8 of the LTHS is as follows –

“4.7 Despite the best efforts of the Government and the HA, the supply of new PRH units cannot be unlimited from the perspective of both land and financial resources. To ensure that precious PRH resources are used to assist those in genuine need, PRH applicants have to meet eligibility criteria on income and assets. The HA reviews the income and asset limits annually to keep them in line with the prevailing socio-economic circumstances.

4.8 In addition to eligibility criteria on income and assets, it is necessary to have other measures to allocate PRH flats in a fair and rational manner and to ensure the rational use of PRH resources.”

16. To tackle tenancy abuse, HA continues to adopt a three-pronged approach, which includes the enhancement of inspection; follow-up by the central team on suspected tenancy abuse cases; and publicity and education. Besides, HA will continue to examine various policies and measures, and revise them as necessary, to ensure the fair and rational allocation of limited

PRH resources. The current review include a number of new measures which do not require changes in policies, such as merging the Territory-wide Overcrowding Relief Exercise and the Living Space Improvement Transfer Scheme; and reducing the two rounds of flat selection each year under the Express Flat Allocation Scheme to one round, with a view to enhancing allocation efficiency of PRH and expediting the allocation of units to applicants. At the same time, HA has also refined the “Well-off Tenants Policies”. We have briefed the LegCo Panel on Housing on HA’s latest measures and schemes at the meeting on 9 January 2017.

17. Regarding the redevelopment of aged PRH estates, as analysed in the LTHS, redevelopment may increase PRH supply over the long term. However, in practice, existing tenants from aged estates will have to move to other PRH units before the aged estates could be vacated and demolished, followed by the in-situ construction of new PRH. The whole process would take years to complete. During the process, PRH units for rehousing tenants from aged estates would not be available for allocation to other PRH applicants. Therefore, redevelopment of aged PRH estates will reduce PRH stock available for allocation in the short term. This will inevitably add further pressure on HA’s ability in maintaining the target of providing first flat offers to general applicants at around three years on average. For example, the redevelopment of Pak Tin Estate, which is still on-going, is expected to take more than 10 years to complete. Thus, the net gain in flat supply from redevelopment will take a long time to realise. Often, the additional flat supply will realise only towards the latter, if not the last, phase of the redevelopment. Given the current strong demand for PRH, it is undesirable to carry out any massive redevelopment programme which will result in freezing up a large number of PRH units that may otherwise be allocated to households in need. In accordance with its four basic principles of the redevelopment policy, viz. structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment, HA will consider the redevelopment of individual estates. If it is decided to proceed with the redevelopment of an estate or housing block, HA will, in accordance with the established practice, allow sufficient time to consult the relevant District Council and give sufficient advance notice to affected tenants well before the clearance operation.

Healthy Private Residential Property Market

18. The Government has adopted a two-pronged approach to maintain the healthy and stable development of the private residential property market. To address the demand-supply imbalance at source in the long run, the Government has strived to increase the housing land supply through short, medium and long-term means under the “supply-led” strategy. At the same time, the Government has opportunely introduced demand-side management measures to minimise various adverse consequences possibly arising from an overheated market.

Increase in Supply

19. The medium-term supply of private housing has been steadily increasing in view of the Government’s continuous efforts. According to the latest estimate as at end-December 2016, the projected supply from the first-hand private residential property market for the coming three to four years is approximately 94 000 units⁴, a record high since the first release of the quarterly statistics on supply in September 2004. The Government will continue rolling out lands for housing to ensure sufficient and stable land supply in the long term to respond to the home ownership aspirations of the public (including the younger generation).

Demand-side management measures

20. The several rounds of demand-side management measures introduced by the Government have effectively combated short-term speculation and curbed external demand. However, after a brief period of cooling down in late 2015 and early 2016, signs of exuberance in the residential property market have re-emerged since the second quarter of 2016, with accelerated increase in both housing prices and transactions, resurgence of local investment demand and heightened risks of a bubble. To stabilise the residential property market and guard against further increase in the risks of a bubble which would endanger the overall macroeconomic and financial stability of Hong Kong, the Government introduced a new round of

⁴ These include about 6 000 unsold units in completed projects, about 64 000 units under construction but not yet sold, and about 24 000 units from disposed land or “spade-ready” sites) where construction may start anytime.

demand-side management measure by raising the ad valorem stamp duty (AVD) rates chargeable on residential property transactions to a new flat rate of 15% with effect from 5 November 2016. To accord priority to the home ownership needs of Hong Kong permanent residents (HKPRs), the new measure will continue to adopt the exemptions under the doubled ad valorem stamp duty (DSD) regime, such that residential property transactions of HKPR-buyers who do not own any other residential property in Hong Kong at the time of acquisition will be subject to the lower AVD rates at Scale 2. We have briefed the LegCo Panel on Housing on the relevant details at the meeting on 5 December 2016, and will introduce the bill that implements the new measure into the LegCo for scrutiny as soon as possible.

21. The new measure aims to allow for a cooling-off period to let the residential property market cool down. There have been signs of cooling off in the market after the announcement of the new measure. On transaction volume, the number of sale and purchase agreements of private flats received by the Land Registry dropped significantly by 47% from 6 739 in November 2016 (mainly reflecting market situation in October) to 3 550 in December 2016 (mainly reflecting market situation in November). Various stamp duty figures in relation to residential property transactions as recorded by the Inland Revenue Department (IRD) are set out below –

2016	Number of Special Stamp Duty (SSD) cases	Number of Buyer's Stamp Duty (BSD) cases	Number of DSD/ new flat rate of 15% cases
November	75	494	2 358
December	34	145	376

Note 1 : According to the Stamp Duty Ordinance, taxpayers are liable to pay stamp duty within 30 days after the execution of the chargeable agreement for sale/conveyance on sale. Statistics on stamp duty of any particular month may include transactions executed in the previous months, and thus may not be able to fully reflect the property market situation of that particular month.

Note 2 : According to the preliminary analysis based on the information submitted by taxpayers, among the DSD cases in the table above, 835 and 327 cases were subject to the new flat rate of 15% in November and December 2016 respectively.

As seen from the table above, the number of SSD, BSD and DSD/new flat rate of 15% cases recorded by the IRD in December 2016 dropped

month-on-month by 55%, 71% and 84% respectively.

22. Besides, among residential property transactions, the number of cases involving HKPR-buyers who own one or more residential properties in Hong Kong decreased from about 1 800 in November 2016 to about 200 in December 2016, a month-on-month drop of nearly 90%. And among those residential property transactions where buyers are HKPRs in December 2016, more than 90% involve buyers who do not own any other residential property in Hong Kong at the time of acquisition. These demonstrate that the new measure is effective in reducing investment demand.

23. We still need more time to observe the full effect of the new measure. The Government will remain vigilant and will continue to closely monitor developments in the property market and the evolving external environment.

Improving Quality of Living in Public Rental Housing

Providing a safe and comfortable home environment for the elderly

24. Over the years, we have fully adopted universal design in new PRH projects, including widening the corridors, flat entrances, kitchen and bathroom doors; using safer materials such as non-slippery floor tiles, with a view to enabling tenants to reside in the same flat even at old age or when their mobility is impaired. For eligible elderly tenants living in old PRH blocks, HA will also modify the facilities inside their units to cater for their needs. For those PRH estates with more elderly tenants, HA also plans to increase the provision of recreational facilities for the elderly, or modify the use or the design of public space in those estates in accordance with tenants' needs.

25. The Buildings Department published the Design Manual, which serves as guidelines on top of statutory provisions, with a view to encouraging private property developers to create a more pleasant and safe environment for the elderly. Most of the above-mentioned facilities which address the needs and daily habits of the elderly tenants have made reference to the Design Manual. Through the provision of such facilities at Government facilities and PRH estates, the Government wishes to set an example to promote concerted efforts

of the public and the private sectors in creating comfortable homes for the elderly.

Implementing various arrangements to encourage caring for the elderly and mutual care among family members

26. In full support of the Government's elderly policy of 'Ageing in Place' and with a view to strengthening family cohesion, HA adopts various housing arrangements to encourage young households to live with or live near their elderly family members. Such schemes include Harmonious Families Priority Scheme, Addition Policy for Harmonious Families, Harmonious Families Transfer Scheme and Amalgamation of Tenancies for Harmonious Families. With reference to the experience gained from the implementation of these schemes, HA will further review their operations and make appropriate refinements where necessary.

Improving barrier-free facilities in PRH estates

27. HA has been implementing the Lift Addition Programme (LAP) since 2008 in order to enhance pedestrian access within the estates and support the Universal Accessibility policy of the Government. Lifts were added in external common areas, in PRH blocks without lift services and next to existing footbridges within boundaries of PRH estates under the LAP. The LAP also provides barrier-free access, particularly for the elderly and disabled persons who are living in PRH estates built in hilly areas. Stages 1 and 2 of the LAP involve the addition of 83 lifts, six escalators and 27 footbridges in 32 existing PRH estates. The majority of these projects have already completed while the remaining ones are expected to be completed in 2017. HA has accorded priority and handled the lift addition projects of more pressing needs through Stages 1 and 2 of the LAP.

28. HA will continue to listen to and consider tenants' proposals on lift addition within the boundaries of existing PRH estates. If the proposals involve other stakeholders, such as other government departments or co-owners in the estates (e.g. other owners of residential units and commercial facilities), HA will discuss with them, and proceed with feasibility studies and subsequent procedures after a consensus is reached among all parties

concerned.

Implementing various environmental initiatives in PRH estates

29. For every public housing development, HA commits to provide appropriate leisure area and green facilities without affecting the housing production. HA has always strived to deliver public housing developments in a sustainable manner through adopting a range of initiatives in harmony with the natural environment at the planning and design stage, as well as adopting a site-specific design approach to fully utilise natural resources. The disposition of individual public housing development is optimised in accordance with the results of the air ventilation study. HA will continue to apply the micro-climate studies in every new public housing development which have been adopted since 2004, in order to minimise energy consumption with reference to the environmental and climatic characteristics of respective districts. These initiatives will also enable PRH tenants to enjoy more natural ventilation and daylight.

30. HA will continue to implement environmental measures in the building designs and facilities to save water and energy. For instance, twin water tanks are used to reduce water consumption in the tank cleansing process, and gearless lifts and lift regenerative power facilities are adopted to reduce energy consumption. With a view to further assuring and enhancing the energy performance of public housing blocks, HA has recently adopted LED lighting certified by the local Product Certification Scheme as the standard lighting facilities in communal areas of the domestic blocks of new development projects. For existing PRH estates, HA has also implemented energy saving measures so as to reduce the electricity consumption in communal areas of PRH estates.

31. HD has been working in collaboration with Environmental Protection Department (EPD) and recycling industry to promote domestic waste reduction and recycling of waste among tenants. HD has undertaken a number of initiatives at PRH estates with promising results. These include Source Separation of Domestic Waste Scheme championed by EPD, Programme on Source Separation of Glass Bottles at PRH Estates, etc. HD will also continue to partner with green groups to extend the promotion of food waste

reduction to commercial tenants in PRH estates through the Green Delight in Estates programme. Under this programme, commercial tenants will be provided with suggestions on waste reduction, and will be encouraged to conduct waste separation into food and non-food waste. In support of EPD's trial scheme, the source separated food waste from HA's shopping centres and markets will be transported to the Organic Waste Treatment Facilities which will soon commence operation.

Continue with the follow up work in relation to the “excess lead in drinking water incident”

32. HA will continue to implement the various follow-up actions in relation to the “excess lead in drinking water in PRH estates” incident. These include continuing to explore and enhance HA's internal mechanism for risk assessment and management in response to the recommendations of the “Report of the Commission of Inquiry into Excess Lead Found in Drinking Water” and the requirements of the Water Authority. In addition, in order to fully rectify the problem of excess lead in water, we will continue to replace the non-compliant pipes in the 11 affected PRH estates. On the whole, the contractors have by far completed more than half of the pipe replacement works in the common areas. As for the works inside flats, the contractor is now conducting a trial for works inside flats at Kwai Yuet House in Lower Ngau Tau Kok Estate Phase 1. In light of the experience gathered from the trial, the contractors will work out a more comprehensive work plan and timetable for pipe replacement works inside flats for the remaining affected PRH estates.

**Transport and Housing Bureau
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