

**For discussion
on 3 July 2017**

Legislative Council Panel on Housing

Measures to alleviate the housing difficulties of residents of sub-divided units

Purpose

This paper sets out the measures taken by the Government to alleviate the housing difficulties of residents of sub-divided units (SDUs) and the relevant policies.

Background

2. The Government understands that in the midst of the current housing demand-supply imbalance, the housing burden of low-income households is heavy and some may even have to rent inadequate accommodation (such as SDUs).

3. In order to gradually resolve the problem of housing demand-supply imbalance, thereby addressing the housing demand from different sectors of society at source, the Government promulgated in December 2014 the Long Term Housing Strategy (LTHS) after the deliberation of the LTHS Steering Committee and a three-month public consultation. The LTHS adopts the 'supply-led' and 'flexible' principles, and rebuilds the housing ladder by increasing the supply of private and public housing. According to the LTHS, the Government updates the long-term housing demand projection annually, presents a rolling ten-year housing supply target to capture social, economic and market changes over time, and uses the supply target as a planning guide to identify land for housing development. According to the latest projection, the total housing supply target for the ten-year period from 2017-18 to 2026-27 is 460 000, with 200 000 units being public rental housing (PRH) units.

Increase PRH supply

4. There have been extensive and in-depth discussions in society over the issue of SDUs during the LTHS consultation. One of the consensus is that PRH is the fundamental solution to address the housing needs of many households living in SDUs. For reference, according to the ‘Thematic Household Survey on Housing Conditions’ commissioned by the Transport and Housing Bureau and conducted by the Census and Statistics Department (through outsourcing)¹, there were about 88 800 SDUs in 2015, involving about 87 600 households. About 47% of these households had applied for PRH; among them, 89% were queuing for PRH.

5. To address the long-term housing needs of these households, we have covered the housing demand from the inadequately housed households (IHHs) (including SDU households) in formulating the ten-year housing supply target. To this end, the Government will continue to adopt a multi-pronged approach to increase the housing land supply in the short, medium and long term through conducting land use reviews and rezoning exercises, increasing development density, developing new development areas, carrying out reclamation on an appropriate scale, etc. Where planning and infrastructure permit and without compromising the environmental quality to an unacceptable extent, the Hong Kong Housing Authority (HA) will continue to optimise the development potential of available public housing sites and increase public housing production.

6. Based on the estimate as at March 2017, the public housing production from HA and the Hong Kong Housing Society in the five-year period from 2016-17 to 2020-21 is about 94 600 units, including about 71 900 PRH units and about 22 700 subsidised sale flats. The above-mentioned five-year housing production forecast shows a steady increase as compared to the previous four five-year periods. The Government will continue to expedite the construction of PRH in accordance with the supply target under the LTHS through a multi-pronged approach, so as to genuinely benefit households living in SDUs and other inadequate housing.

¹ The Census and Statistics Department conducted a Thematic Household Survey on the housing condition of SDUs in 2015. Its main objective was to estimate the total number of SDUs in private domestic / composite buildings (excluding village houses) aged 25 years or above in Hong Kong to facilitate the long term housing demand projection for the period from 2016-17 to 2025-26.

Other measures to alleviate the housing difficulties of SDU households

7. Apart from striving to increase housing supply, the Government has adopted various measures to alleviate the housing difficulties of the low-income households (including households living in SDUs). For those who have genuine and imminent long-term housing needs but have no other feasible means to solve their housing problems, they can approach the Social Welfare Department (SWD) for relevant welfare services or assistance. SWD will assess each case and recommend eligible cases to the Housing Department (HD) for Compassionate Rehousing for early allocation of PRH flats. Also, for the eligible PRH applicants, they may join the Express Flat Allocation Scheme for early allocation of PRH flats.

8. In addition, different government departments have provided appropriate assistance to low-income households from different perspectives including housing, social welfare, community support, etc. For instance, the Comprehensive Social Security Assistance (CSSA) Scheme has provided a safety net for those who are unable to support themselves financially to meet their basic needs. Under the CSSA Scheme, recipients (including tenants of PRH and private residential units) are entitled to an allowance for covering their cost of accommodation. Besides, other recurrent cash schemes, such as the Low-income Working Family Allowance introduced in May 2016 and the Work Incentive Transport Subsidy Scheme, also provide further support to low-income households.

Other suggestions to assist SDU households

9. There are views in the community suggesting the Government to implement some short to medium-term measures (including implementing tenancy control, providing rent subsidies and constructing transitional housing) to assist the SDU households. The Government has considered the pros and cons as well as effects of these measures in detail during the formulation of the LTHS. We consider that, in the midst of demand-supply imbalance in housing and tight housing land resources, these measures may not be able to render timely support to households living in SDUs and other inadequate housing. The Government's views are elaborated in detail in the ensuing paragraphs.

Tenancy control and rent subsidy

10. The Government has conducted a detailed study in Hong Kong's past experience as well as overseas experience in implementing tenancy control, and has briefed the Panel as well as listened to public views in July 2014². After extensive public consultation, the Government also elaborated its views on this subject in the LTHS (paragraphs 6.15-6.18) subsequently.

11. Empirical findings, both local and overseas, suggest that tenancy control measures often lead to an array of unintended consequences, including those detrimental to the tenants whom the measures seek to assist. These unintended consequences include reducing supply of rented accommodation; encouraging landlords to be more selective about their tenants, thereby limiting access to adequate housing by those with unstable financial means, ethnic minorities, persons with disabilities, and other socially disadvantaged groups; encouraging certain behaviour from landlords to offset the impact of the tenancy control measures (including increasing initial rent and requiring the tenants to pay excessive miscellaneous charges); and discouraging proper maintenance of rented accommodation by landlords.

12. As for rent subsidy, we are concerned that in the midst of the present tight housing supply, any form of rent subsidy provided by the Government to tenants will only lead to rent increase, thereby turning the rent subsidy into additional rent, leaving the tenants with no effective assistance. Furthermore, providing recurrent rent subsidy to a selected group of tenants will not only pose long-term financial burden on the Government's part, but may also increase the burden of those households that are not able to receive the subsidy for various reasons and yet are affected by the upward pressure on rental levels.

13. Weighing the pros and cons, introducing tenancy control and rent subsidy in haste amid the current tight housing supply may be counterproductive, making the tenants suffer before they can actually benefit from it. This is not in the interest of the SDU households and the general public.

² The relevant paper is LC Paper No. CB(1)1709/13-14(01) entitled 'Tenancy Control'.

Transitional housing

14. During the formulation of the LTHS, the Government had looked into the suggestion of providing transitional housing, but considered it not practicable³. First of all, PRH remains to be the fundamental solution to address the housing needs of low-income households who cannot afford private rental accommodation. Therefore, amid tight housing land resources, suitable sites for housing should be reserved for PRH construction as far as possible. This is the best way to benefit the IHHs who are PRH applicants. Besides, even if sites which do not have other immediate uses are identified for building transitional housing, they will still require additional infrastructural works (such as the provision of sewerage), which take time to complete before housing construction can take place. In any case, the size and number of such temporary sites are bound to be very limited. They may not be able to provide short term relief for a large number of IHHs as suggested by its proponents.

Conclusion

15. In sum, the Government considers that the crux of the housing difficulties currently faced by SDU households lies with demand-supply imbalance in housing. The fundamental solution to this problem is a continued increase in the supply of land and housing (especially PRH). The Government will continue to work closely with the community at large, and endeavour to expedite the construction of PRH flats in accordance with the housing supply target under the LTHS, so as to genuinely address the housing needs of the SDU households.

16. Members are invited to note the content of this paper.

**Transport and Housing Bureau
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³ Please refer to paragraph 6.14 of the LTHS for details.