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Panel on Housing

Meeting on 9 January 2018

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

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 issued a consultation document entitled "Building Consensus, Building Homes" ("the Consultation

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.

Document")³ on 3 September 2013. The key recommendations in the Consultation Document are set out in **Appendix I** and a summary of the views collected during the Consultation is in **Appendix II**. The Steering Committee submitted its report to the Government on 17 February 2014.

3. On 16 December 2014, the Government promulgated the new LTHS and released the "LTHS Implementation Milestones as at December 2014"⁴. The Government 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 Government 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.

4. As recommended by the Steering Committee, the Government would update the long term housing demand projection annually and presents a rolling ten-year housing supply target in order to capture social, economic and market changes over time and to make timely adjustment where necessary. According to the housing demand projections published in December 2016, the total housing supply target for the ten-year period from 2017-2018 to 2026-2027 was 460 000 units. With a public/private split of 60:40, the supply targets for public and private housing were 280 000 units and 180 000 units respectively.

Establishment of a Housing Reserve

5. To meet the ten-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. As advised by the Administration in February 2017, the Housing Reserve then stood at \$77 billion.⁵

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>.

⁵ [Budget Speech for 2017-18](#)

Major views and concerns expressed by Members

6. 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. At the meetings on 4 January 2016 and 9 January 2017, the Administration briefed the Panel on the latest implementation of key aspects of LTHS. The major views and concerns expressed by members on the subject are summarized in the ensuing paragraphs.

Ten-year supply target

7. The Panel noted that the public housing supply target for the ten-year period from 2017-2018 to 2026-2027 was 280 000 units, and the Administration had identified land for providing about 236 000 public housing flats only. Members enquired whether the Administration could meet its supply target in public housing within the ten-year period.

8. The Administration advised that delivering the ten-year housing supply target was undeniably a huge challenge for both the Government and the society as a whole. To increase supply, the Administration would adopt a multi-pronged approach and 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. In the past few years, the Administration had identified over 210 sites with housing development potential in the short to medium term. Such sites could in total provide more than 310 000 flats, 70% of which were for public housing.⁶ Nevertheless, the majority of these sites required the completion of necessary processes such as planning and consultation, statutory planning procedure, land resumption and clearance, etc. in order to be delivered on time for housing construction.

Supply of public housing

9. In view that the Policy Address delivered in October 2017 put forward a number of housing-related initiatives, including suggestions for the Hong Kong Housing Authority ("HA") to regularize the Green Form Subsidised Home Ownership Scheme ("GSH"), and that the Chief Executive was quoted saying in a press interview that she thought 800 000 PRH units might be sufficient, members expressed concern whether the initiative of regularizing GSH would cause a reduction of the supply of PRH units, and whether there would be a cap on the PRH programme.

⁶ LC Paper No. [CB\(1\)284/17-18\(03\)](#)

10. The Administration advised that as stated in the 2017 Policy Address, the Government would increase housing supply on the basis of LTHS. PRH was a long-established safety net for the grassroots and low-income families. The Administration would strive to shorten the waiting time for PRH and had not set any restriction on the number of PRH units. HA was conducting a comprehensive review on the GSH Pilot Scheme and its outcome would be reported to the Panel in due course.

11. Some members suggested that to ensure that the production of PRH could enable eligible applicants on the PRH waiting list to receive the first flat offer within three years on average, the Administration should include the policy objective of providing the first offer of PRH unit to the general applicants at around three years on average as one of the housing demand components in its projection of future construction targets. The Administration advised that there were four key areas in the projection of new housing demand under LTHS, namely, net increase in the number of households, households displaced by redevelopment, inadequately housed households, and miscellaneous factors. The housing demand so projected should have already covered all the PRH demand.

Land sites for public housing development

12. Referring to the Administration's advice that the key to prompt delivery of public housing flats hinged on whether the Administration could secure spade-ready sites⁷, but such sites were rare, members enquired whether the Administration would invite the Urban Renewal Authority ("URA") to provide, in collaboration with HA/Hong Kong Housing Society, public housing on its spade-ready sites in the urban areas.

13. The Administration explained that the redevelopment projects undertaken by URA in the past involved residential units in the private property market, not public housing. Hence, the units provided after the completion of the redevelopment projects should remain private residential units, in order to replenish residential units in the private property market, thereby maintaining the balance between public and private housing supply.⁸

⁷ "Spade ready sites" refer to sites which had been zoned for residential use and were resumed, cleared and formed with appropriate provision of infrastructure.

⁸ LC Paper No. [CB\(1\)1466/16-17\(01\)](#)

14. Some members opined that given the continued population growth in Hong Kong, it would not be fruitful to increase land supply in a piecemeal approach and the Administration should undertake large-scale land development projects to address the housing shortage. In view that the projects to develop new development areas ("NDAs") such as Kwu Tung North and Fanling North NDAs would provide large number of public housing units to meet the demand of PRH applicants, some members opined that the Administration should devise a set of more relaxed PRH eligibility limits for residents affected by the projects so that the clearers could be rehoused to public housing units as early as possible and the Administration could then proceed with its land clearance plans.

15. The Administration advised that providing more relaxed income and asset limits especially for clearers would give rise to concerns as to whether this was fair to those who had been waiting for a PRH. For the sake of fairness, HA applied the same set of eligibility criteria to all PRH applicants, including those affected by the Administration's land clearance exercises. In taking forward individual land clearance exercises for large-scale development projects, the lead policy bureaux might consider special compensation and rehousing arrangements for the affected residents.

Development potential of public housing sites

16. Some members considered that the Administration should make more effective use of the land resources in public housing sites, and enquired about the scale of relaxation of development restrictions in its bid to expedite the delivery of public housing development projects. The Administration advised that since the announcement of the 2014 Policy Address which allowed the maximum domestic plot ratio to increase by around 20% as appropriate (except for the north of Hong Kong Island, and Kowloon Peninsula), HA had obtained the Town Planning Board's approval of the planning applications for relaxation of the maximum domestic plot ratio for nine public housing projects (as at end-September 2017), which contributed to an increase of about 3 300 public housing flats.⁹ Where planning and infrastructure permitted and environmental quality would not be compromised to an unacceptable extent, the Administration would continue to actively explore all feasible ways to optimize the development potential of available public housing sites.

⁹ LC Paper No. [CB\(1\)284/17-18\(04\)](#)

Residential property prices

17. Members expressed concern about the surging prices of residential properties, and enquired whether the Administration had considered introducing further appropriate measures to curb the speculative activities in the residential property market. Some members suggested that the Administration should consider introducing vacant property tax.

18. The Administration explained that the rise in flat prices in the past few years lay with the demand-supply imbalance in housing. To address the imbalance, the Government had been striving to increase housing supply through multi-pronged measures. At the same time, the Government had introduced several rounds of demand-side management measures to suppress external demand, short-term speculations and investment demand. The Administration advised that the current vacancy rate of private residential flats in Hong Kong was low, and the idling of private residential flats was not significant. According to the Rating and Valuation Department's statistics, the vacancy rate of private residential flats had dropped from 4.3% as at end-2012 to 3.8% as at end-2016, which was substantially lower than the long term average vacancy rate of 5% from 1996 to 2015.¹⁰

Public/private split for new housing supply

19. Some members opined that as private flat prices were unaffordable to most households, to realize the vision of LTHS to help all households in Hong Kong gain access to adequate and affordable housing, the Administration should increase the supply of public housing under LTHS and the proportion of public housing under the new housing production target. On the question of whether the Administration would designate land plots which had originally been earmarked for private housing developments for HA to provide public housing, the Administration advised that the Development Bureau and the Planning Department had been working closely with the Transport and Housing Bureau and the Housing Department to identify and provide suitable land to HA for developing public housing. The Government also maintained a certain number of sites in the Land Sale Programme in order to provide the market with a steady supply of sites for private residential development and to respond to the community's housing needs. The Administration reviewed the situation from time to time to determine the most suitable use of sites. Where appropriate, sites originally planned for private housing would be re-allocated for public housing.

Measures to address housing needs of grassroots households

¹⁰ LC Paper No. [CB\(1\)1466/16-17\(01\)](#)

20. In view of the lead time required for housing production and the fact that large number of PRH applicants were living in sub-divided units, members suggested that to address the housing difficulties of the families on the PRH waiting list, the Administration should take short-term relief measures such as tenancy control and rent subsidies, and consider providing transitional housing on temporarily idle sites.

21. The Administration advised that given the huge demand for PRH, there was no easy quick fix to shorten the PRH applicants' average waiting time ("AWT"). The fundamental solution was to increase housing land supply. Under the current situation of shortage of developable land, suitable sites for housing development should be reserved for the construction of PRH units as far as possible, instead of transitional housing. Empirical findings, both local and overseas, suggested that tenancy control measures often lead to an array of unintended consequences, including reducing supply of rented accommodation, encouraging landlords to be more selective about their tenants, etc. If the Government provided tenants of private accommodations (including PRH applicants) with any form of rent subsidy in the midst of tight housing supply, landlords might increase the rent accordingly, thereby turning the rent subsidy into additional rent, leaving the tenants with no effective assistance.

Recent developments

22. On 20 December 2017, the Government released the LTHS Annual Progress Report 2017¹¹ ("the Report"). The key housing targets spelt out in the Report for the ten-year period from 2018-2019 to 2027-2028 remain the same as those in the ten-year period ending 2026-2027 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

¹¹ The document was issued via LC Paper [CB\(1\)383/17-18\(01\)](#) and is available from the following website of Transport and Housing Bureau:
<http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

According to the Report, the latest AWT for general PRH applicants is 4.6 years (as at end-September 2017). Among them, the AWT for elderly one-person applicants is 2.6 years.

23. On land supply, the Government has identified land for the construction of about 237 000 public housing units for the ten-year period from 2018-2019 to 2027-2028, 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.

Latest position

24. The Administration will brief members on the LTHS Annual Progress Report 2017 at the Panel meeting on 9 January 2018.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
5 January 2018

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)) 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)) Minutes of the meeting (LC Paper No. CB(1)601/15-16)
Panel on Housing	9 January 2017	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2016" (LC Paper No. CB(1)350/16-17(01)) Minutes of the meeting (LC Paper No. CB(1)628/16-17) Administration's supplementary information (LC Paper No. CB(1)757/16-17(01)) and (LC Paper No. CB(1)1170/16-17(01))