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Panel on Housing

Meeting on 5 March 2018

Background brief prepared by the Legislative Council Secretariat on Green Form Subsidised Home Ownership Scheme

Purpose

This paper provides background information on the Hong Kong Housing Authority ("HA")'s Green Form Subsidised Home Ownership Scheme ("GSH"), and gives a brief account of the major views and concerns expressed by Members on the subject.

Background

2. The Long Term Housing Strategy ("LTHS") promulgated by the Government in December 2014 reaffirms the role of subsidized home ownership as an essential element of the housing ladder. It also states that the Government will consider how to expand the forms of subsidized home ownership and, where appropriate, introduce supplementary schemes of subsidized sale flats.

3. In line with the LTHS framework, the then Chief Executive in the 2015 Policy Address proposed to HA that suitable flats among its public rental housing ("PRH") developments under construction be identified for sale to Green Form ("GF")¹ applicants in the form of a pilot scheme, with prices set at a level lower than those of Home Ownership Scheme ("HOS") flats. The proposal is thereafter referred to as the "Green Form Subsidised Home Ownership Pilot Scheme".

¹ GF applicants are mainly PRH tenants and PRH applicants who have passed the detailed eligibility vetting and obtained a GF Certificate.

Implementation of the Green Form Subsidised Home Ownership Pilot Scheme

4. In January 2015, HA's Strategic Planning Committee supported the proposal of the pilot scheme and agreed on the guiding principles. Based on the guiding principles, HA's Subsidised Housing Committee ("SHC") endorsed in May 2015 the implementation details of the pilot scheme² including the site selection principles. Based on the site selection principles, HA selected a PRH development (i.e. King Tai Court) in San Po Kong as the GSH pilot site.

5. King Tai Court which was completed in June 2017 provides 857 flats. Pre-sale was launched in October 2016, with the average selling price at 40% discount from the assessed market value (as compared with the usual 30% discount for HOS flats). According to HA, the project attracted 16 198 applications, including 12 394 family applications (77%) and 3 804 one-person applications (23%). Among the 857 buyers, 800 were HA's PRH tenants. HA has undertaken to conduct a review of the pilot project to consider the way forward.³

Proposal to regularize the scheme

6. The Policy Address announced in October 2017 put forward a number of housing-related initiatives, and one of them was the suggestion for HA to regularize GSH. The Policy Address also mentioned that after a preliminary technical assessment, the Housing Department ("HD") considered that some 4 000 new PRH units in Fo Tan, Sha Tin could be converted into GSH units for sale in late 2018.

Members' views and concerns

7. Members have expressed views on the subject of GSH at meetings of the Legislative Council and its committees. The Panel on Housing ("the Panel") discussed the implementation details of the pilot scheme at the meeting on 1 June 2015. The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

² The implementation details endorsed by HA are set out in Annex A to Memorandum for the Subsidised Housing Committee of the Hong Kong Housing Authority (Paper no. [SHC 5/2018](#))

³ Memorandum for the Subsidised Housing Committee of the Hong Kong Housing Authority (Paper no. [SHC 5/2018](#))

Impact on supply of and waiting time for public rental housing

8. While some Members considered that GSH would provide an alternative avenue for GF applicants to achieve home ownership, especially for those who might find HOS flats unaffordable, they queried whether GSH would reduce the number of PRH units available for allocation to low-income households and add further pressure on the HA's target to maintain the average waiting time for PRH flat allocation at around three years. There was also the concern that PRH circulation might be affected as a lead time was required for re-allocation of PRH flats surrendered by sitting tenants acquiring GSH flats.

9. The Administration advised that PRH tenants who had purchased GSH flats needed to return the PRH units they originally resided in. Given this "one-for-one" arrangement, while GSH would not increase the supply of PRH, it would not reduce the supply of PRH. If buyers of the GSH flats were PRH applicants who had passed the detailed eligibility vetting, their home ownership aspirations would be addressed earlier. This also allowed the allocation of PRH resources to those waiting for PRH with more pressing needs. According to the existing practice, HD would refurbish the recovered flats for allocation to PRH applicants, and according to the performance indicator, the average turnaround time for vacant flat refurbishment should take no more than 44 days. HD had been exploring ways to shorten the refurbishment period.⁴

Implementation details of the pilot scheme

10. Some Members opined that GSH should seek to provide subsidized sale flats at a price level lower than that of other subsidized sale flats.

11. The Administration advised that flats under the pilot scheme would be sold at a discount of the market price, and the discount would be higher than that applicable to HOS flats. The discount would be set at a level such that at least 50% of the flats would be affordable to target applicants based on the following assumptions: (a) a mortgage-to-income ratio of 40%; (b) a loan repayment period of 20 years; (c) a mortgage loan-to-price ratio of 95%; and (d) a household income at the eligibility limit for applying PRH for a four-person household.

12. Some Members considered that more stringent restrictions than those on HOS flats should be imposed on the resale of GSH flats, because they were sold at a discount higher than that applicable to HOS flats, and owners of GSH flats should not be allowed to sell the flats in the open market so as to avoid speculative trading of GSH flats.

⁴ Memorandum for the Subsidised Housing Committee of the Hong Kong Housing Authority (Paper no. [SHC 5/2018](#))

13. The Administration advised that under the pilot scheme, when a GSH flat owner offered to sell the flat to HA during the first five years from the date of first assignment, HA would exercise the power under the Housing Ordinance (Cap. 283) to nominate GF buyers to buy the flat. During the third to fifth years of the first assignment from HA, a GSH flat owner might sell the flat to a GF buyer in the HOS Secondary Market. After five years of the first assignment from HA, the GSH flat owner might either sell the flat in the HOS Secondary Market to a person nominated by HA or sell the flat in the open market upon payment of premium.⁵

Proposal to regularize the scheme

14. In view that the Administration had put forward suggestions for HA to regularize GSH, and that the Chief Executive was quoted saying in a press interview that she thought 800 000 PRH units might be sufficient, some Members queried whether the Government would maintain the policy of providing PRH to low-income families. At the briefing by the Secretary for Transport and Housing on the Chief Executive's 2017 Policy Address on 30 October 2017, the Panel passed a motion which requested the Government to ensure that the building of PRH units would be continued, and objected to the setting of a ceiling on the overall number of PRH units.

15. The Administration explained that PRH was a long-established safety net for the grassroots and low-income families. The Government would strive to shorten the waiting time for PRH and had not set any restriction on the number of PRH units.⁶ The Government would focus on supply and step up the efforts in increasing the supply of housing units based on LTHS. The Administration advised that LTHS had reaffirmed the role of subsidized sale flats as an essential element of the housing ladder. It also stated that the Government would consider how to expand the forms of subsidized home ownership and, where appropriate, introduce supplementary schemes of subsidized sale flats. It was against this backdrop that GSH was introduced.

⁵ Annex A to Memorandum for the Subsidised Housing Committee of the Hong Kong Housing Authority (Paper no. [SHC 5/2018](#))

⁶ LC Paper No. [CB\(1\)317/17-18\(01\)](#)

Way forward of the scheme

16. Members considered that to address the concern that regularizing GSH would reduce the supply of PRH, the Administration/HA should decide and make clear the ratio between the supply of PRH and GSH units. Some Members opined that in considering the selling prices of GSH units to be provided in future, HA should take into account Green Formers' ability to afford. There was also the view that to make future GSH projects attractive to GF applicants, HA should consider providing GSH units at cost.

17. The Administration advised that HA had undertaken to conduct a review on the GSH pilot project. In considering whether to regularize GSH, HA would study the details of future GSH projects, including the price setting mechanism, eligibility criteria, etc. In the long run, if HA decided to regularize GSH, it would further evaluate whether PRH projects should be converted to GSH on a project-by-project basis.⁷

Recent development

18. On 30 January 2018, SHC endorsed regularizing GSH having regard to the outcome of the review of the GSH pilot project.⁸ The Administration will brief the Panel on the review outcome at the meeting on 5 March 2018.

Relevant papers

19. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
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⁷ LC Paper No. [CB\(1\)317/17-18\(01\)](#)

⁸ Hong Kong Housing Authority's [press release](#)

Green Form Subsidised Home Ownership Scheme

List of relevant papers

Council/ Committee	Date of meeting	Paper
Council	15 April 2015	Council question on Green Form Home Ownership Pilot Scheme
Panel on Housing	1 June 2015	Administration's paper on "Green Form Subsidised Home Ownership Pilot Scheme" (LC Paper No. CB(1)884/14-15(05)) Minutes of meeting (LC Paper No. CB(1)1244/14-15)
Panel on Housing	30 October 2017	Administration's paper on "Housing-related Initiatives in the Chief Executive's 2017 Policy Address and Policy Agenda" (LC Paper No. CB(1)19/17-18(01))
Council	8 November 2017	Council question on impact of regularization of Green Form Subsidised Home Ownership Scheme on applicants on the public rental housing waiting list
Council	13 December 2017	Council question on surrendering public rental housing units under the Green Form Subsidised Home Ownership Scheme