

Legislative Council
Special Finance Committee Meeting (Housing Session)
10 April 2019

Opening Remarks
by the Secretary for Transport and Housing

Chairman,

1. Housing is a livelihood issue of greatest concern to the current-term Government. Based on the “supply-led” and “flexibility” principles under the Long Term Housing Strategy (LTHS), the Government will continue to increase public and private housing supply by a multi-pronged strategy.

Housing Supply

2. In December 2018, we announced that the ten-year total housing supply target from 2019-20 onwards was 450 000 units, and the Government revised the public-private split from 60:40 to 70:30. Therefore, in the future 10 years, the public housing supply target is 315 000 units, including 220 000 “Public Rental Housing (PRH)/ Green Form Subsidised Home Ownership Scheme (GSH)” units and 95 000 “Other Subsidised Sale Flats (SSFs)”, whereas the private housing supply target is 135 000 units.
3. With a view to increasing public housing supply, the Government decided, in June 2018, to re-allocate 9 sites originally intended for sale for private housing projects for public housing uses. These sites are expected to provide some 11 000 units. The Government will continue to review the situation from time to time, and, where appropriate, re-allocate sites originally planned for private housing for public housing uses.
4. Furthermore, in order to optimise the use of public housing land, the Government has, since the announcement in 2014 on increasing the development intensity of housing sites by 20%, allowed further increase of domestic plot ratio of public housing sites by 10% to a

maximum of 30% where technically feasible (excluding those in the north of Hong Kong Island and the Kowloon Peninsula which are more densely populated). This initiative was approved by the Executive Council in December 2018.

Private Housing

5. On private housing, housing land supply has increased in a continuous manner over the last few years. In 2018, 21 000 private residential units were completed, a record high in 14 years. Based on preliminary estimation, the private sector would, on average, complete about 18 800 residential units annually in the next five years (i.e. from 2019 to 2023), representing an increase of about 20% over the annual average of the past five years. Besides, according to the projection as at end-December 2018, the supply of first-hand private residential property market in the next three to four years is about 93 000 units, which remains at a relatively high level.
6. On the other hand, to encourage more timely supply of first-hand private residential units in the market, the Government proposes to amend the Rating Ordinance to require developers of first-hand private residential units with Occupation Permits issued for 12 months or more to furnish annual returns to the Government on the occupancy status of the units. Units that have not been rented out for more than six months during the past 12 months will be subject to “Special Rates”. The Government is currently studying the views raised by Members at the Housing Panel meeting in April 2019 as well as other views from the public, and working out the legislative proposals with a view to introducing the Rating (Amendment) Bill to the Legislative Council as soon as possible.
7. Regarding another issue about first-hand residential properties, we have noticed that for some individual developments offered to be sold by tender recently, the transparency of the sales process is less than satisfactory. In this connection, the Sales of First-hand Residential Properties Authority (SRPA) has proactively monitored the market situation and has earlier spotted cases with insufficient

transparency in the sale practice and the records of transactions, which might have violated the Residential Properties (First-hand Sales) Ordinance. SRPA is investigating the cases and will strictly enforce the Ordinance based on evidence collected. Apart from taking enforcement action against individual cases, SRPA will also issue a reminder to the trade requesting vendors of first-hand residential properties to set out the full details of the terms of payments in the register of transactions so as to increase the transparency of transaction information and let purchasers understand the residential property market conditions.

8. Similarly, the Estate Agents Authority (EAA) is investigating into possible non-compliance cases and will issue reminder to estate agents ensuring that they strictly observe the Estate Agents Ordinance and EAA's guidelines when participating in the sales of residential properties by tender.
9. The Government will keep a close watch on the situation of selling first-hand residential properties by tender, and will take all possible and viable measures as and when necessary to make sure that the level of transparency of sales of first-hand residential properties by tender is the same as that for open sales with price list.

Public Housing: New Initiatives in the Chief Executive's 2018 Policy Address (2018 PA)

10. In order to ensure the effective use of public housing resources, the Chief Executive suggested in the 2018 PA that HA and the Hong Kong Housing Society (HKHS) should implement three new initiatives. First, the Chief Executive suggested that HA, in the light of the operational experience of HKHS's Letting Scheme for Subsidised Sale Developments with Premium Unpaid, should consider joining the scheme and allow owners of its SSFs with premium unpaid to sublet their flats to needy families. Second, the Government has accepted HKHS's recommendation of launching a Flat-for-Flat Pilot Scheme for Elderly Owners on a trial basis for its SSFs with premium not yet paid. Third, the 2018 PA recommends HA to consider launching a new concessionary

initiative whereby under-occupation households whose family members are all elderly are allowed to enjoy lifetime full rent exemption upon their transfer to smaller units. HA and HKHS are following up on these three suggestions, and will announce the details when decisions have been made.

Subsidised Sale Housing

11. On Subsidised Sale Housing, the Government announced six new housing initiatives in June last year, which include, among others, revision to the pricing mechanism for Home Ownership Scheme (HOS) flats. Under this arrangement, applicants' affordability will be taken as the basis of pricing in order to make HOS flats more affordable to low-to-middle income families. On another front, "Starter Homes" (SH) and GSH will also be priced with reference to the new HOS pricing mechanism to address the home ownership aspirations of families with different incomes.
12. Subsequently, HA launched the Sale of HOS Flats 2018, which involved about 4 400 flats, and afterwards in December 2018, a GSH project in Cheung Sha Wan, namely Lai Tsui Court, which offered about 2 500 flats. Meanwhile, the Urban Renewal Authority put up 450 SH Pilot Project units at Ma Tau Wai Road for pre-sale at 62% of their market price in December last year. In considering the way forward of SH, the Government will take into account the experience from the SH Pilot Project at Ma Tau Wai Road.
13. In 2019, according to HA's projection, about 4 900 HOS flats will be put up for sale in May 2019. Also, two GSH projects located at Chai Wan Road, Chai Wan and Tsing Hung Road, Tsing Yi, offering a total of about 3 700 flats, will also be put up for pre-sale by end of this year.
14. In taking forward GSH projects in future, HA will, based on the decision it made during the regularisation of GSH, implement GSH at a more modest pace to gather experience, so as to reduce the risk of having flats unsold and minimise the impact on the waiting time

for PRH applicants. HA will, by adhering to the incremental approach, take account of the operational experience and sales response to select PRH developments suitable for conversion to GSH projects on an annual basis.

Housing Reserve

15. Financially, HA, being a financially autonomous public body, funds its public housing programmes with its own resources. To ensure that HA has sufficient financial resources, the Government has set aside about \$82.4 billion as a Housing Reserve to support HA where necessary. In order to clearly reflect the overall financial position of the Government, the Financial Secretary (FS) announced that the Government would bring back the Housing Reserve to the fiscal reserves, and, at the same time, earmark the same amount in the fiscal reserves for public housing development to demonstrate that the Government's financial resource commitment on this front has not lessened.

Transitional Housing

16. Apart from taking forward the long-term housing policy and measures, the Government supports and facilitates the implementation of various short-term initiatives put forward and carried out by community organisations with a view to alleviating the living hardships and other problems faced by those inadequately housed through the provision of transitional housing.
17. The Finance Committee of the Legislative Council approved a financial provision of \$1 billion in January 2019 for setting up a funding scheme to support non-governmental organisations (NGOs) for the gainful use of vacant government sites. The Development Bureau has started to invite funding applications and NGOs may apply for funding under the scheme to expedite the provision of transitional housing.
18. To further increase the funding support, FS announced in this

year's Budget Speech that \$2 billion would be set aside to support NGOs in constructing transitional housing. THB will map out the detailed arrangements and submit the financial proposal to the Legislative Council after taken account of the operational experience of such projects and listened to the views of various sectors of the community.

Concluding Remarks

19. We will continue to do our best to provide adequate and affordable housing to the public, enabling them to have comfortable homes and improving their living environment.
20. Chairman, I am pleased to answer policy-related questions from Members, while the Controlling Officers and my other colleagues would respond to those questions relating to implementation matters and the use of financial resources.

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