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Panel on Housing

**Subcommittee to Follow Up Issues Related to Inadequate Housing and
Relevant Housing Policies**

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 14 December 2018**

Purpose

This paper provides background information and summarizes the discussions at meetings of the Legislative Council and its committees on issues relating to inadequate housing.

Background

2. In the midst of the current housing demand-supply imbalance and high property prices and rents, the housing burden of low-income households is heavy and some may have to rent inadequate accommodation, such as sub-divided units ("SDUs").

Inadequately housed households

3. In projecting the long term housing demand and deriving the ten-year housing supply target under the Long Term Housing Strategy ("LTHS"),¹ the Government adopts a model recommended by the LTHS Steering Committee to estimate the total number of new housing units required to provide adequate housing to each and every household over the long term. The projection model regards households living in public housing (i.e. public

¹ The Government appointed the LTHS Steering Committee in September 2012 to advise the Government on the formulation of a new LTHS. According to the LTHS announced in 2014, the Government presents a rolling ten-year housing supply target annually.

rental housing ("PRH") and subsidized sale flats such as Home Ownership Scheme flats) as adequately housed, and takes the following circumstances into account in determining whether households living in private housing are inadequately housed –

- (a) if the housing unit is made up of temporary structures (e.g. huts, squatters and roof-top structures);
- (b) if the unit is located in a non-residential building (e.g. commercial and industrial building);
- (c) if the unit is shared with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts); and
- (d) if the unit is a subdivided one.²

4. According to the LTHS Annual Progress Report announced in December 2017³, the estimated number of inadequately housed households ("IHHs") was 115 100.⁴

Major views and concerns expressed by Members

5. Members have expressed views and concerns on issues relating to inadequate housing at meetings of the Legislative Council and its committees. Their major views and concerns are summarized in the ensuing paragraphs.

Measures to protect the interests of tenants living in inadequate housing

6. Members were of the view that, as the Administration might not be able to provide adequate PRH units within a short time for the large number

² In respect of households living in shared units and SDUs, the LTHS Steering Committee noted that depending on the actual living conditions, not all households living in these units were necessarily inadequately housed (LC Paper No. [CB\(1\)352/14-15\(01\)](#)).

³ LC Paper No. [CB\(1\)383/17-18\(01\)](#)

⁴ According to the results of the [2016 Population By-census](#), there were some 27 100 quarters with SDUs in Hong Kong. The total number of SDUs in these quarters was estimated to be some 92 700. These SDUs accommodated some 91 800 households and 209 700 persons.

of applicants on the PRH waiting list,⁵ short-term measures should be formulated to address the housing difficulties faced by IHHs while they were waiting for PRH allocation. Members noted that the difficulties these households were facing were mainly the absence of written and stamped tenancy agreements, short notice period for rent increases and evictions by landlords, under-maintenance of leased premises and reluctance on the part of landlords to directly communicate with their tenants. Members suggested that the Administration should introduce tenancy control targeted at SDUs or lower-end residential properties with annual rateable value below a certain level.

7. The Administration advised that tenancy control was a highly controversial issue on which consensus had yet to be reached in the community. Empirical findings, both local and overseas, suggested that tenancy control measures often led to an array of unintended consequences, including those detrimental to the tenants whom the measures sought to assist. These unintended consequences included reducing supply of rented accommodation; encouraging landlords to be more selective about their tenants; discouraging proper maintenance of rented accommodation by landlords, etc. If tenancy control was imposed on a particular market sector, such as on lower-end residential properties, there might be inadvertent spillover effects on the uncontrolled sector. For example, as some tenants would not be able to rent flats in the controlled sector, they might be forced to seek accommodation in the uncontrolled sector, hence pushing up the rental level of the latter.

Rent subsidy and transitional housing

8. Members opined that the Administration should provide rental allowance to these IHHs who had been waiting for PRH for three years or above and had not been provided with the first flat offer.⁶ Some Members considered that the root cause of SDUs in Hong Kong was a serious lack of housing, and suggested that apart from expediting the public housing production, the Administration should also provide more transitional housing.

⁵ As at end-September 2018, there were about 150 200 general applications (i.e. family applications and elderly one-person applications) for PRH and about 117 500 non-elderly one-person applications (Hong Kong Housing Authority's [website](#)).

⁶ The Hong Kong Housing Authority's objective is 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.

9. The Administration advised that in the midst of the present tight housing supply, any form of rent subsidy provided by the Administration to tenants would only lead to rent increase, thereby turning the rent subsidy into additional rent, leaving the tenants with no effective assistance. Providing recurrent rent subsidy to a selected group of tenants might also increase the burden of those households that were not able to receive the subsidy for various reasons and yet were affected by the upward pressure on rental levels. As it took time to identify land for housing construction, the Administration would support and facilitate the implementation of various short-term initiatives put forward and carried out by the community on top of the Government's long-term housing policy and measures to increase the supply of transitional housing. A task force under the Transport and Housing Bureau would provide coordinated support to facilitate the implementation of such community initiatives.

Review of the Landlord and Tenant (Consolidation) Ordinance

10. There were views that the Landlord and Tenant (Consolidation) Ordinance (Cap. 7) did not provide tenants with appropriate tenancy protection, such as protecting SDU households against frequent rent increases. At the meeting on 3 July 2017, the Panel on Housing passed a motion that the Administration should comprehensively review Cap. 7 and conduct a public consultation exercise on the outcome of the review.

11. The Administration advised that regarding tenancy arrangements, Cap. 7 dealt with matters relating to rights and obligations of landlords and tenants. The Ordinance did not regulate the level of charges agreed between landlords and tenants. Before entering into a tenancy agreement, landlords and tenants should agree on the terms and conditions, including the level and basis for calculating rents and other charges (e.g. water and electricity charges). Once the tenancy agreement was entered into, both parties were required to abide by the relevant terms and conditions.

Electricity and water charges for tenants of sub-divided units

12. Members expressed concerns that tenants residing in SDUs were overcharged by their landlords for use of water and electricity given that the latter had not installed separate water and electricity meters for them, and enquired which government department was responsible for following up the issue and what measures would be undertaken.

13. The Administration advised that the arrangement for landlords collecting water and electricity charges from SDU tenants involved an array

of issues (such as electricity, building structures, tenancy arrangements between landlords and tenants, etc.). To assist SDU households in need, the CLP Power Hong Kong Limited ("CLP") had been working with social welfare organizations, green groups, etc., since 2014 to explore ways to install individual meters at no cost to SDU households who had obtained landlords' consent and met relevant standards. The Hongkong Electric Company, Limited had also explored ways to install individual meters for households living in SDUs. The two power companies had run various concessionary schemes, such as offering concessionary tariffs to persons in need with a view to reducing their electricity expenses. CLP had been carrying out the "Power Your Love Programme" annually since 2015 to encourage customers to save energy and donate electricity saved to the needy, including SDU households in need, to reduce their electricity expenses. Regarding water charges, if the relevant SDUs had a proper postal address to ensure that letters from Water Supplies Department ("WSD"), such as notices and water bills, could be posted to the occupier, the relevant household might apply to WSD for an individual water meter.

Enacting legislation to regulate sub-divided units

14. In view of the fact that residents often encountered problems such as environmental hygiene, law and order, building structure and fire safety in buildings where there were a large number of SDUs, some Members considered it necessary to enact legislation to regulate SDUs.

15. The Administration advised that even though the LTHS Steering Committee's public consultation document had put forward a suggestion to introduce a licensing or landlord registration system to regulate SDUs, the Administration noted that the community had expressed considerable reservations over the suggestion during the LTHS public consultation exercise. There were concerns that a licensing or landlord registration system would reduce the supply of SDUs and drive up the rents of SDUs, thus causing further hardship to SDU tenants. There were also concerns that a loose licensing or landlord registration system would compromise the safety of SDU tenants and residents living in the same buildings. In view of the concerns expressed by the community, the Administration had no plan to introduce a licensing or landlord registration system for SDUs. However, it would continue to take enforcement actions against irregularities relating to building and fire safety.

16. At the Council meetings of 28 November and 5 December 2018, a motion debate was held on "Studying the enactment of an ordinance on

regulating subdivided units". The wording of the motion that was passed with amendments is at **Appendix I**.

Latest development

17. The Subcommittee to Follow Up Issues Related to Inadequate Housing and Relevant Housing Policies under the Panel on Housing will have its first meeting on 14 December 2018.

Relevant papers

18. A list of relevant papers is in the **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
13 December 2018

**Motion on
"Studying the enactment of an ordinance on regulating subdivided units"
moved by Hon Mrs Regina IP
at the Council meetings of 28 November and 5 December 2018**

**Motion as amended by Hon Alice MAK, Hon LEUNG Yiu-chung and
Hon Andrew WAN**

That the housing problem of grass-roots families in Hong Kong is acute and there are over 150 000 families and elderly singletons waiting for public rental housing, with an average waiting time of 5.3 years, and quite a number of applicants live in units of flats subdivided into separate units (commonly known as ‘subdivided units’); according to the estimate of the Government in 2017, there were about 91 800 households living in subdivided units across the territory; the Chief Executive has undertaken in the newly released Policy Address that the Government will actively facilitate various short-term community initiatives to increase the supply of transitional housing and allow wholesale conversion of industrial buildings for transitional housing; in the light of these new initiatives, it is believed that quite a number of transitional housing units leased out in the form of subdivided units will emerge in Hong Kong, but the existing Buildings Ordinance cannot comprehensively regulate the safety of flat subdivision works; in this connection, this Council urges the Government to adopt appropriate measures to regulate subdivided units by, among others, studying the enactment of an ordinance; the relevant measures include:

- (1) by drawing reference from the Housing Act 2004 of the United Kingdom and the experience of other countries, formulating policies on the regulation of subdivided units, which include establishing a licensing system for regulating the operation of subdivided units, and setting standards for the facilities, number of occupants and area of units, so as to ensure a comfortable and safe living environment for households;
- (2) enacting legislation to require the installation of separate water and electricity meters for each subdivided unit to prevent overcharging of water and electricity tariffs by landlords;
- (3) enacting legislation to regulate the rental of subdivided units, including regulating the rate of rental increase for subdivided units to prevent the households from being heavily burdened by rental;

- (4) before legislating for regulation, expeditiously providing a rental allowance for all grass-roots families which have been waitlisted for public rental housing for over three years and living in subdivided units;
- (5) reviewing the Landlord and Tenant (Consolidation) Ordinance to provide tenants of subdivided units with appropriate tenancy protection, e.g. requiring landlords to sign stamped tenancy agreements with their tenants, stipulating such information as the charging mode for electricity and water tariffs and the notification period for deferred vacation in tenancy agreements; and
- (6) establishing a dedicated fund for transitional housing to be used for, among others, supporting the conversion of industrial buildings into subdivided units as transitional housing to ensure that the transitional housing units leased out in the form of subdivided units after conversion and their facilities are compliant with the legal requirements, so as to improve the living environment of grass-roots families; and
- (7) extensively consulting the community on the study of the enactment of an ordinance on regulating subdivided units and the review of the Landlord and Tenant (Consolidation) Ordinance; and
- (8) enacting legislation to allow tenants of subdivided units to open water and electricity accounts of their own for paying tariffs;

moreover, this Council also urges the Government to establish a registration system for households of subdivided units or conduct an annual survey on households of subdivided units (including those living in factory buildings) through the Census and Statistics Department, so as to ensure that the Government can grasp the actual number of households of subdivided units, thereby formulating appropriate regulatory policies for them.

Subcommittee to Follow Up Issues Related to Inadequate Housing and Relevant Housing Policies

List of relevant papers

| Meeting Date | Council/Committees | Paper |
|--------------------------------------|--|---|
| 11 January 2017 | Council | <u>Council question</u> on Water and electricity charges of tenants in inadequate housing |
| 3 July 2017 | Panel on Housing | <u>Agenda Minutes</u> |
| 9 January 2018 | Panel on Housing | <u>Agenda Minutes</u> |
| 4 June 2018 | Panel on Housing and Panel on Welfare Services | <u>Agenda Minutes</u> |
| 6 July 2018 | Panel on Housing and Panel on Welfare Services | <u>Agenda</u> |
| 21 November 2018 | Council | <u>Council question</u> on support for tenants in inadequate housing |
| 28 November 2018 and 5 December 2018 | Council | Motion debate on "Studying the enactment of an ordinance on regulating subdivided units" |