

**For discussion
on 22 January 2019**

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

**Measures alleviating the housing difficulties of
inadequately housed households**

Purpose

This paper sets out the Government's measures and relevant policies in alleviating the housing difficulties of inadequately housed households (IHHs).

Background

2. The Government has discussed with the Legislative Council (LegCo) about matters related to IHHs on various occasions in the past; and has briefed Members on various measures that aim to alleviate the housing difficulties faced by these households¹. This paper summarises information on these measures for Members' reference.

Long Term Housing Strategy (LTHS)

3. The housing problem in Hong Kong lies with the long term demand-supply imbalance. Coupled with abundant liquidity and persistent

¹ Recent discussions include:

- (a) Discussion about "measures to alleviate the housing difficulties of residents of sub-divided units" at the LegCo Panel on Housing in July 2017 (LC Paper No. CB(1)1215/16-17(03));
- (b) Discussion about "tenancy control" at the joint meetings of the LegCo Panel on Housing and Panel on Welfare Services in June and July 2018 (LC Paper No. CB(1)1052/17-18(01));
- (c) The LegCo question about "support for tenants in inadequate housing" on 21 November 2018 (see: <https://www.info.gov.hk/gia/general/201811/21/P2018112100563.htm>); and
- (d) LegCo Members' motion about "studying the enactment of an ordinance on regulating subdivided units" at the LegCo meetings on 29 November and 5 December 2018 (see below: -
 - (a) Opening remarks of the Secretary for Development (Chinese only): <https://www.info.gov.hk/gia/general/201811/29/P2018112900747.htm> ;
 - (b) Opening remarks of the Under Secretary for Transport and Housing (Chinese only): <https://www.info.gov.hk/gia/general/201811/29/P2018112900777.htm> ;
 - (c) Closing remarks of the Secretary for Development (Chinese only): <https://www.info.gov.hk/gia/general/201812/05/P2018120500778.htm> ; and
 - (d) Closing remarks of the Under Secretary for Transport and Housing (Chinese only): <https://www.info.gov.hk/gia/general/201812/05/P2018120500744.htm>).

ultra-low interest rates in the global monetary environment, property prices and rentals are high. 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 accommodations (such as subdivided units (SDUs)).

4. Following deliberation of the LTHS Steering Committee and a three-month public consultation, the Government announced LTHS in December 2014. Based on the “supply-led” and “flexible” principles under LTHS, the Government has been increasing public and private housing supply through a multi-pronged approach with a view to rebuilding the housing ladder. According to LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target to capture the latest social, economic and market changes, and make timely adjustments where necessary².

5. There were extensive and in-depth public discussions over the subject matter of SDUs during the LTHS consultation. The public generally opined that priority should be accorded to addressing the housing needs of IHHs (which include households living in SDUs), and that public rental housing (PRH) was the major and fundamental solution for meeting the housing needs of eligible households. To address the long term housing needs of such households, the Government has taken into account the housing needs of IHHs (including households living in SDUs) in setting the ten-year housing supply target.

Increasing housing supply

6. Based on the latest projection under the LTHS framework, the total housing supply target for the ten-year period from 2019/20 to 2028/29 is 450 000 units. As mentioned above, this supply target has taken into account the housing demand of IHHs (estimated at 116 600 units³). With the total supply target of 450 000 units, the Government has revised the public/private split of new housing supply to 70:30, i.e. the supply target for public housing will be 315 000 units (including 220 000 PRH/Green Form Subsidised Home Ownership Scheme (GSH) units, and 95 000 other subsidised sale flats (SSFs)); while the supply target for private housing will be 135 000 units.

² LTHS (see: <https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS201412.pdf>).

³ Please refer to the annex of the LTHS Annual Progress Report 2018 for the projection details (https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS_Annual_Progress_Report_2018.pdf).

7. As of now, assuming that all sites identified can be smoothly delivered on time for housing development, the Government estimates that about 248 000 public housing units can be constructed for the above-mentioned ten-year period. While it is about 10 000 units more than the estimated public housing production of 237 000 units as announced in 2017 (for the ten-year period from 2018/19), it still lags behind the public housing supply target of 315 000 units for the ten-year period from 2019/20.

8. As pointed out in the Chief Executive's 2018 Policy Address, the Government has committed to allocating more land to public housing development, and that 70% of the housing units on Government's newly developed land would be for public housing. The Government will continue to identify land, and adopt a multi-pronged approach to increase housing land and production. In this regard, the Government introduced two major measures in 2018, with a view to further boosting public housing supply. One of such measures is to re-allocate nine sites at Kai Tak and Anderson Road Quarry, which were originally intended for sale in the coming few years, for public housing. The sites are expected to provide about 11 000 public housing units.

9. In fact, the Government has been re-allocating private housing land for public housing development at appropriate times. Just in 2016/17 and 2017/18, the Government has re-allocated eight private housing sites, located in Kai Tak, Anderson Road Quarry, Ex-Cha Kwo Ling Kaolin Mine, Queen's Hill and Tung Chung, for public housing. The Government will continue to review the situation from time to time, to determine the most suitable use of sites. Where appropriate, sites originally planned for private housing will be re-allocated for public housing.

10. The other measure is that, to optimise the use of public housing land, subsequent to the announcement in 2014 on increasing the development intensity of housing sites by 20%⁴, the Executive Council agreed in December 2018 to allow increase of domestic plot ratio of public housing sites by a further 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). The prerequisite is that the relevant departments shall undertake technical studies for individual sites to ascertain the feasibility and impacts of applying a higher plot ratio, and seek approval of the Town Planning Board as required, in accordance with the established procedure.

⁴ As at November 2018, the Town Planning Board (TPB) has approved 24 applications of relaxing development intensity, which involved 43 housing sites and led to an increase in housing supply by about 13 050 units (7 590 public housing units and 5 460 private housing units). Also, TPB has rezoned 97 sites for housing development, which led to an additional supply of about 23 300 units (13 500 public housing units and 9 800 private housing units). In total, there are about 36 350 additional units (21 090 public housing units and 15 260 private housing units).

11. The Government will continue to implement various measures to increase housing land supply in the short, medium and long term, including rezoning, increasing development intensity, developing new development areas, etc. Furthermore, the Task Force on Land Supply submitted its report to the Government on 31 December 2018, and tendered recommendations on the overall land supply strategy and priorities of land supply options, including three short- to medium-term options and five medium- to long-term options⁵. The Government is studying the various recommendations of the Task Force and the way forward in increasing land supply, and will respond in due course. The next step is to gather the efforts of relevant bureaux/departments to identify and create land as quickly as possible.

12. Where planning and infrastructure permit and without compromising the environment to an unacceptable extent, the Hong Kong Housing Authority (HA) and relevant departments will continue to proactively explore ways to better utilise identified and existing public housing sites, as well as to expedite construction works where possible, in order to increase public housing supply. HA will regularly announce the Public Housing Construction Programme⁶; the Government also reports to the LegCo Panel on Housing about the public housing construction of HA and the Hong Kong Housing Society (HKHS) annually (the last update was in December 2018⁷). Based on the forecasts as at September 2018, the estimated total public housing production of HA and HKHS in the five-year period from 2018/19 to 2022/23 is about 100 800 units, comprising about 74 600 PRH/GSH units and about 26 300 other SSFs. Comparing the projected total public housing production for the above-mentioned five-year period with that of the previous four five-year periods, the projected production shows a steady increase.

13. We will continue to cooperate closely with various sectors in the society, and strive to increase the supply of various types of housing (including PRH) according to the target set out under LTHS, in order to address the housing needs of IHHs.

⁵ Short- to medium-term options include developing brownfield sites, tapping into private agricultural land reserve in the New Territories and exploring alternative uses of sites under private recreational leases. Medium- to long-term options include near-shore reclamation outside Victoria Harbour, developing the East Lantau Metropolis, developing caverns and underground space, more new development areas in the New Territories, and developing the River Trade Terminal site.

⁶ HA's Public Housing Construction Programme is at its website: <https://www.housingauthority.gov.hk/en/about-us/publications-and-statistics/forecast-public-housing-production/index.html>

⁷ LC Paper No. CB(1)219/18-19(03).

Other measures alleviating the housing difficulties of IHHs

14. Apart from striving to increase housing supply, the Government has adopted various measures to alleviate the housing difficulties of IHHs. 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 for Compassionate Rehousing for early allocation of PRH units. Also, eligible PRH applicants may join the Express Flat Allocation Scheme for earlier allocation of PRH units.

15. Different government departments have been providing 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 provides 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 rent allowance for covering their cost of accommodation. Besides, the Government also provides further support to low-income households through other recurrent cash schemes such as the Working Family Allowance Scheme (previously known as the “Low-income Working Family Allowance Scheme”) and the Work Incentive Transport Subsidy Scheme.

16. In addition, the Community Care Fund (CCF) launched the programme of ‘Subsidy for CSSA Recipients Living in Rented Private Housing’ in October 2011, and from September 2013 to September 2016. The programme aims to provide a one-off subsidy to CSSA households living in rented private housing and paying a rent which exceeds the maximum rent allowance (MRA) under the CSSA Scheme, so as to relieve their financial burden as a result of the periodic increase of rent. CCF relaunched the programme for a period of two years in November 2017 and adjusted the approach in subsidy calculation and disbursement. Under the adjusted approach, the monthly subsidy is either 50% of the portion of the rental amount exceeding the applicable MRA, or 15% of the applicable MRA, whichever is lower.

Other suggestions assisting IHHs

17. There are views in the community that the Government should adopt some short- to medium-term measures (including tenancy control, rent subsidy, vacancy tax on all residential properties, and transitional housing) to assist IHHs. During the LTHS consultation, there were public discussions over measures assisting IHHs. The Government presented an analysis in LTHS⁸ after collating such public views. The Government is of the view that, under the current situation of housing demand-supply imbalance and shortage of land resources, introducing these measures may not benefit the IHHs in good time. The paragraphs below set out the Government's views.

Tenancy control and rent subsidy

18. Tenancy control (including rent control and security of tenure) is a highly controversial issue. The LTHS Steering Committee has deliberated on the issue during the public consultation. However, there were diverse public views and a consensus could not be reached. The Government has also conducted a detailed study on Hong Kong's past experience and overseas experience in implementing tenancy control. The Government then briefed the LegCo Panel on Housing and listened to public views in July 2014⁹. After extensive public consultation, the Government elaborated its views on tenancy control in LTHS. The Government also attended the joint meetings of the Panel on Housing and Panel on Welfare Services in June and July 2018 to listen to the views of the LegCo Members and public deputations on tenancy control¹⁰.

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

⁸ Paragraphs 6.10-6.18 of LTHS.

⁹ LC Paper No. CB(1)1709/13-14(01).

¹⁰ LC Paper No. CB(1)1052/17-18(01).

20. There are views suggesting the Government to implement tenancy control only on units below a certain size or rent. However, as seen from the tenancy control experience of some overseas economies, if tenancy control is imposed only on a particular market sector (often on lower-end residential properties), there may be inadvertent spillover effects on the uncontrolled sector. For example, as some tenants will not be able to rent flats in the controlled sector, they may be forced to seek accommodation in the uncontrolled sector, hence pushing up the rent level of the latter. Besides, some overseas experience suggests that tenancy control has failed to effectively address the housing needs of the grassroots, since control measures often target at specific classes of premises instead of particular groups of households. Other overseas experience also suggests that, with the implementation of tenancy control, prospective tenants may find it difficult to secure a tenancy through the open market, and can only obtain information of rented accommodation through indirect means, which will not be easily accessible by the socially disadvantaged.

21. With regard to rent subsidy, we are concerned that in the midst of the present tight housing supply, such measure may prompt the landlords to increase rent, thereby indirectly 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 may increase the demand for rented accommodation, thereby triggering a rise in rental level and increasing the burden of households who are unable to receive the subsidy due to various reasons.

22. Weighing the pros and cons, the Government is of the view that introducing tenancy control or rent subsidy amid the current tight housing supply may be counterproductive and will not be in the interest of the IHHs or the general public.

Introduction of vacancy tax on all residential properties

23. According to the statistics of the Rating and Valuation Department, the overall vacancy rate of the private residential properties dropped to a low level of 3.7% as at end-2017, which was significantly below the average long-term vacancy rate of 5% over the period from 1997 to 2016. Such low level of vacancy rate indicates that it is uncommon for flat owners to leave their properties vacant. Also, it is inevitable to leave properties vacant for a period of time when landlords search for buyers or tenants, negotiate for price, or refurbish the properties. This is an inevitable market phenomenon. With a rather low vacancy rate, the introduction of vacancy tax on all residential properties may not effectively help increase the housing supply.

24. When compared with the overall property market, the Government is more concerned about vacancy of first-hand private residential units owned by developers. Therefore, the Chief Executive announced the introduction of “Special Rates” on vacant first-hand private residential units in end-June 2018, with a view to encouraging more timely supply of first-hand private residential flats. The Government will amend the Rating Ordinance (Cap. 116) to require developers of first-hand private residential units with the Occupation Permit issued for 12 months or more to furnish annual returns to the Government on the status of the units. Units that have not been rented out for more than six months during the past 12 months will be considered as vacant and subject to the “Special Rates”. “Special Rates” will be collected by the Rating and Valuation Department annually at two times (i.e. 200%) the rateable value of the units concerned. The Government is now preparing for the relevant legislative amendments, and plans to introduce an Amendment Bill into LegCo during the 2018/19 legislative session. “Special Rates” will take effect after gazettal of the Amendment Ordinance following passage of the Amendment Bill in LegCo.

Transitional housing

25. As the Government has repeatedly emphasised, in order to avert the fundamental housing demand-supply imbalance at source and address the housing problem in the long run, the ultimate solution is to increase land and housing supply in a continuous and stable manner. Also, as pointed out in the Policy Addresses of the Chief Executive in 2017 and 2018, since it takes time to identify land for housing construction, the Government will support and facilitate the implementation of various short-term initiatives put forward and carried out by the community on top of the long-term housing policy and measures, to increase the supply of transitional housing and alleviate the hardship faced by families awaiting PRH and the IHHs. These short term measures may make use of the potential and resources in the community outside the Government, and offer flexible and multiple relief measures for the beneficiaries.

26. To this end, the Chief Executive announced on 29 June 2018 that a task force would be set up under the Transport and Housing Bureau (THB) to provide one-stop coordinated support to facilitate the implementation of more community initiatives on transitional housing. The task force, led by the Under Secretary for Transport and Housing, will provide appropriate assistance and facilitation according to the needs of the proposed projects upon consultation with relevant bureaux and departments, as well as offer advice on relevant administrative or statutory procedures and assistance in funding applications etc. Five new posts have been created under THB to handle the relevant work, including two project directors.

27. The Task Force on Transitional Housing is currently providing support to facilitate the implementation of more than 10 projects advocated by non-governmental organisations, including the Modular Social Housing Scheme on Yen Chow Street initiated by the Hong Kong Council of Social Service (HKCSS), which targets to provide some 210 units. The project has been submitted to the Shum Shui Po District Council and gained its support. The task force is now examining the feasibility of various proposals and will seek supplementary information from the project proponents if necessary. The project details would be announced by the project proponents at appropriate times. The task force will continue to explore ways to resolve obstacles from the policy perspective for increasing the provision of transitional housing.

28. At the same time, the task force is working proactively with the Lands Department to identify potential sites for transitional housing. The preliminary list of available land scatters in different districts of Hong Kong. The task force has consulted relevant government departments in respect of the current land condition, environment, traffic, fire services and infrastructure development etc., and has conveyed to non-government organisations the information on sites with relatively higher potential for further feasibility studies; as well as provided suggestions on preliminary project proposals. Regarding other land lease applications and administrative arrangements, the task force will coordinate with relevant bureaux and departments to facilitate a flexible and appropriate arrangement to handle different projects according to their nature and characteristics.

29. As regards to the suggestion of LegCo Members and stakeholders to establish a dedicated fund to support transitional housing, it is noted that a variety of arrangements exist for different transitional housing projects in the community. For instance, the Community Housing Movement operated by HKCSS has launched a number of projects with operating expenses funded by both the Community Chest of Hong Kong and the Social Innovation and Entrepreneurship Development Fund. For the Modular Social Housing Scheme on a private site on Nam Cheong Street in Sham Shui Po, HKCSS has secured funding support from CCF. THB will take the suggestion to establish a dedicated fund to support transitional housing into consideration, and will continue to provide appropriate support to funding applications of community initiatives.

30. Furthermore, the Government has proposed to set up a funding scheme to provide support to non-government organisations making better use of vacant government sites for community, institutional or other non-profit-making initiatives, and consulted the LegCo Panel on Development in November 2018¹¹. Projects obtaining policy support from the said task force under THB and using vacant government sites for providing transitional housing may apply.

31. Also, the Government is reactivating the revitalisation scheme for industrial buildings (IBs). One of the measures under the reactivated scheme is that, for transitional housing proposals in portions or entire blocks of IBs (without any age limit) which have already undergone or will pursue wholesale conversion into non-industrial uses, as well as located in “Commercial”, “Comprehensive Development Area”, “Other Specified Uses” annotated “Business”, and “Residential” zones, with the support of the said task force, the Government will exercise flexibility in the application of planning, land lease and building design requirements, including charging a nil waiver fee for this specific use of transitional housing¹².

Conclusion

32. In sum, the Government considers that the crux of the housing difficulties currently faced by IHHs lies with the housing demand-supply imbalance. The fundamental solution to this problem is a continued increase in the supply of land and housing. The Government will continue to endeavour to increase public housing supply in accordance with the housing supply target under LTHS, so as to genuinely address the housing needs of the IHHs.

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

Transport and Housing Bureau January 2019

¹¹ LC Paper No. CB(1)190/18-19(04).

¹² The Development Bureau has briefed the LegCo Panel on Development on “measures to revitalise IBs” in December 2018 (LC Paper No. CB(1)323/18-19(03)).