

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

**Supplementary Information**

The Legislative Council Subcommittee to Follow Up Issues Related to Inadequate Housing and Relevant Housing Policies (the Subcommittee) convened a meeting on 22 January 2019. At the meeting, Members requested the Government to follow-up a number of issues and passed two motions. The supplementary information and responses by the Government are set out below.

**Statistics on Inadequately Housed Households (IHHs)**

2. According to the Long Term Housing Strategy (LTHS) promulgated in December 2014, 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 necessary. One of the demand factors to be considered during the annual update of long term housing demand projection is IHHs, which covers households living in the following housing units -

- (a) units made up of temporary structures (e.g. huts, squatters and roof-top structures);
- (b) units located in a non-residential building (e.g. commercial and industrial buildings);
- (c) units shared with other households (e.g. rooms, cubicles, bedspaces and cocklofts in private permanent buildings); and
- (d) subdivided units (SDUs).

3. As set out in the Annex of the LTHS Annual Report 2018, in respect of category (a), based on the results of the 2016 By-census and the trend data as observed from the Population Censuses/ By-censuses, it is estimated that there were about 20 800 households living in temporary structures in 2017. As for categories (b) and (c), according to the 2016 By-census, there were 5 600 households living in non-residential buildings and 5 800 households living in shared units. Regarding

category (d), the number of households living in SDUs is estimated to be 93 900<sup>1</sup> based on the trend data from the results of the 2016 By-census and past thematic household surveys on SDUs, as well as relevant information on the construction and demolition of buildings.

### **Measures to alleviate the housing difficulties faced by IHHs**

4. There are views that the Government may provide assistance to IHHs through introducing measures such as rent subsidy, tenancy control and vacancy tax on properties.

#### Rent subsidy and tenancy control

5. The Government is concerned that amid the current housing demand-supply imbalance, providing rent subsidy and introducing tenancy control may be counterproductive and will not be in the interest of IHHs or the general public.

6. On rent subsidy, the Government is concerned that in the midst of the present tight housing supply, providing any form of rent subsidy to tenants 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 (such as those who have been waiting for allocation of public rental housing (PRH) for three years or more) 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.

7. As for tenancy control, empirical findings, both local and overseas, suggest that such 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

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<sup>1</sup> It should be noted that this figure is not directly equal to the number of SDU households (84 400 households) adopted for demand projection under LTHS. According to statistics of the Rating and Valuation Department, the demolition rate of private residential units aged 50 years and above over a period of ten years is 16.6%. Therefore, it is estimated that among private residential units aged 50 years and above (i.e. 57 200 units), about 9 500 units (= 57 200 units x 16.6%) would be redeveloped in the next ten years. As the housing demand of households displaced by private redevelopment has already been counted in projecting the long term housing demand, the number of households living in the above-mentioned 9 500 units should be deducted from the calculation to avoid double counting. Accordingly, the demand from households living in SDUs as projected under the LTHS is about 84 400 households (= 93 900 – 9 500).

those with unstable financial means, ethnic minorities, persons with disabilities and other socially disadvantaged groups as landlords would 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.

### Vacancy tax on properties

8. According to the statistics of the Rating and Valuation Department, the overall vacancy rate<sup>2</sup> 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, introducing a vacancy tax on all properties may not be an effective measure to increase the housing supply.

9. 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 in end-June 2018 the plan to amend the Rating Ordinance to introduce “Special Rates” on vacant first-hand private residential units, with a view to encouraging more timely supply of such flats.

### **Statistics on SDUs**

10. Census and Statistics Department (C&SD) compiled statistics on the demographic, household and socio-economic characteristics of persons living in SDUs during the 2016 By-census, including monthly rents of SDUs. The statistics were published in the “Hong Kong 2016

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<sup>2</sup> The Rating and Valuation Department conducts a survey every year to provide a snapshot of the year-end vacancy position of private domestic flats. A full survey will be conducted in respect of domestic premises completed within three calendar years (e.g. the survey as at end-2017 covered domestic premises completed from 2015 to 2017); as for rated domestic premises completed prior to that, a projection of vacancies is made from the result of a 3% random sample survey of such premises. If a unit is not physically occupied at the time of the survey or is under decoration, it is treated as a vacant unit. Vacancy rate refers to the percentage of vacant units relative to the total stock.

Population By-census Thematic Report” in January 2018. According to the report, excluding rent free households, the median monthly rental payment of households living in SDUs was \$4,500.

11. The main purpose of compiling statistics on SDUs is to estimate the housing demand arising from households living in SDUs, so as to update the rolling ten-year total housing supply target under LTHS. C&SD will collect data on SDUs in the 2021 Population Census and publish detailed statistics based on the results. For years between the 2016 By-census and 2021 Population Census, C&SD will use the trend data from the results of the 2016 By-census and past thematic household surveys on SDUs, as well as relevant information on the construction and demolition of buildings, to estimate the number of households living in SDUs. The relevant statistics will be published in the LTHS Annual Progress Report.

### **Stipulating that a tenancy agreement must be made in form of a written agreement and stamped**

12. Allowing landlords and tenants to create a tenancy agreement orally has all along been practised in Hong Kong. If such arrangement is to be changed, amendments to ordinances such as the Landlord and Tenant (Consolidation) Ordinance have to be made. It may also have fundamental implications on the transfer of property interests (including interests in tenure) in Hong Kong. Hence, we must exercise caution in considering the matter. For example, if we introduce legislation to require all tenancy agreements to be made in form of written agreements, there may be immediate impact on tenants whose tenancy agreements with the landlords are created orally. Landlords may be prompted to create a new tenancy agreement with the tenants with increased rent, which in turn aggravates burden of the grassroots.

13. According to the Stamp Duty Ordinance, written tenancy agreements are instruments chargeable with stamp duty, and must be stamped within 30 days from the date of execution. Landlords, tenants or any party who signed the tenancy agreement are liable for stamping the tenancy agreement.

### **Transitional Housing**

14. The Government has been striving to address the housing problem facing the low-income families with poor living conditions by increasing the supply of PRH. As pointed out in the Chief Executive’s

2017 and 2018 Policy Addresses, since it takes time to identify land for housing construction, the Government will, on top of the long-term housing policy and measures, support and facilitate the implementation of various short-term initiatives put forward and carried out by the community to provide transitional housing for alleviating the hardship faced by families awaiting PRH and other families living in IHHs. To this end, the Transport and Housing Bureau (THB) has set up a task force to provide one-stop coordinated support to facilitate the implementation of transitional housing projects by the community, include offering advice on relevant administrative or statutory procedures, and assist them in applying for appropriate funding, etc.

15. For a certain previous period of time, the Government has assisted and facilitated a number of transitional housing projects initiated by non-government organisations (NGOs), including social housing in existing vacant residential buildings, other initiatives by different NGOs on vacant government lands and private lands by using "Modular Integrated Construction" construction method or converting the vacant non-residential buildings (such as school premises) to transitional housing. Projects that have already been announced include the Modular Social Housing Scheme on Nam Cheong Street and Yen Chow Street in Sham Shui Po initiated by the Hong Kong Council of Social Service. The task force has also conducted three meetings among relevant bureaux and departments to explore ways to overcome obstacles related to the prevailing policies and expedite the provision of transitional housing. The task force deliberated several transitional housing projects at these three meetings, but given that these projects are still at their advocacy stages, we consider it more appropriate to defer to the proponents to announce these projects when they have reached a more mature stage.

16. Transitional housing may come in different arrangements and with different ideas. The Government hopes to bring together community efforts, especially allowing different NGOs to extend their creativity to provide various kinds of transitional housing projects. Since the arrangements of different NGOs may vary, it is impractical to set rigid targets for transitional housing projects. The Government will review the establishment and the operation of the task force from time to time and take follow-up actions when necessary.

17. To facilitate the implementation of transitional housing, the Buildings Department (BD) issued a circular letter "Granting of Modification or Exemption under Section 42 of the Buildings Ordinance (BO) for Transitional Housing Initiative" to the trade on 15 October 2018

(the document is available for download at BD's website). Having considered the constraints associated with the planning and design of old domestic buildings, BD will grant modification/exemption regarding the application of the regulation under the BO to eligible transitional housing projects in the said buildings in order to facilitate their implementation. For example, the Buildings (Planning) Regulations (the Regulations) requires the provision of windows in living areas to provide natural ventilation and lighting. If there are eligible transitional housing projects facing difficulties in fully complying the requirements under the Regulations because of the building design, BD will consider granting exemptions, but will, at the same time, require the project proponents to provide artificial lighting and mechanical ventilation systems, as well as communal living areas that meet the relevant natural ventilation and lighting requirements. To ensure that the compensation measures will continue to be operated effectively, BD will require the proponents to entrust authorised persons to conduct inspections on an annual basis. For cases involving wholesale conversion of industrial buildings for similar transitional housing projects, BD will adopt a similar pragmatic approach. Due to their temporary nature, BD is also prepared to favorably consider granting transitional housing projects exemption from requirements on site coverage, plot ratio, open space within the site and service lane for domestic buildings under section 42 of the BO.

18. The Government's GeoInfo Map web page<sup>3</sup> compiles and publishes a list of vacant government sites (including vacant school premises) currently available for community, institutional or non-profit making purposes. The list provides site information such as location, site area, long-term use (where applicable), etc. The some 800 sites currently on the list are available for NGOs or social enterprises to apply for community, institutional or non-profit making uses on a short term basis, including but not limited to transitional housing. To determine if an individual site is suitable for transitional housing purpose, further consideration has to be carried out on its site conditions (such as site area, topography, planned use, environmental issues and supporting facilities, etc.). NGOs, which are interested in providing transitional housing on these sites, can enquire with the task force. The task force also welcomes NGOs to express intentions to use an individual site. For details regarding the application mechanism for vacant government sites, please refer to the Lands Department's website<sup>4</sup>.

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<sup>3</sup> Website: [https://www.map.gov.hk/gm/map/search/faci/\\_\\_\\_VGS?lg=en](https://www.map.gov.hk/gm/map/search/faci/___VGS?lg=en)

<sup>4</sup> Website: <https://www.landsd.gov.hk/en/vgl/vgl.htm>

19. The Finance Committee of the Legislative Council approved the Government's proposal in January 2019 to set up a \$1 billion fund to support NGOs carry out site formation works on vacant government sites and restore vacant school premises for short-term uses. The fund can also provide funding support to applicable transitional housing projects. We are aware that there are views in the community that the Government should provide more financial support to facilitate transitional housing. The Government will consider these suggestions seriously. Furthermore, the Government is reactivating the revitalisation scheme for industrial buildings (IBs). One of the measures is that if these transitional housing projects supported by the task force are to take place in portions or entire block of any IBs, regardless of building age, (located in "Commercial", "Comprehensive Development Area", "Other Specified Uses" annotated "Business" and "Residential" zones) which have undergone wholesale conversion into non-industrial uses or are going to be so converted, the Government will exercise flexibility in handling applications under planning, land lease and building design requirements, including to charge a nil waiver fee for the specific use of transitional housing.<sup>5</sup>

20. The task force has received enquiries and applications from various NGOs; given advice and assistance on relevant administrative procedures, statutory requirements, application for funding and technical details; and met with various organisations. The task force has also given recommendations to THB for providing policy support to suitable and viable transitional housing projects. The task force has all along been providing relevant NGOs with advice, particularly one-stop coordinated support, with a view to facilitating the development of their advocated projects. The Government is checking with NGOs and consolidating the information regarding transitional housing projects currently being implemented, including the operating bodies, number of units, number of households benefited, etc. We will provide such information to the Subcommittee later.

**Transport and Housing Bureau  
Development Bureau  
February 2019**

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<sup>5</sup> The Development Bureau briefed the Development Panel of the Legislative Council about Measures to Revitalise Industrial Buildings in December 2018 (LC Paper No. CB(1)323/18-19(03)).