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Panel on Housing

Meeting on 7 January 2019

**Background brief prepared by the Legislative Council Secretariat
on Long Term Housing Strategy**

Purpose

This paper provides background information on the Long Term Housing Strategy ("LTHS") and a summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

Formulation of the new Long Term Housing Strategy

2. In September 2012, the Government launched the LTHS review¹ as part of its efforts to take forward its housing vision. The review aimed to ensure optimal use of the existing land and housing resources to meet housing needs of the community in the short, medium and long term. The Long Term Housing Strategy Steering Committee ("the Steering Committee")² issued a consultation document entitled "Building Consensus, Building Homes" ("the Consultation

¹ The LTHS review covered: (a) compilation, collation and comprehension of all relevant housing-related information; (b) ways to increase housing supply, including optimization of the usage of existing public and private housing stock, in the short, medium and long term; and (c) projection of housing demand for both public and private sectors to meet the needs of various groups in the community. Information about the LTHS review is available via the following hyperlink: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/>.

² The Steering Committee was chaired by the Secretary for Transport and Housing and comprised 15 non-official and three official members, namely Permanent Secretary for Transport and Housing (Housing), Permanent Secretary for Development (Planning and Lands), and Government Economist.

Document")³ on 3 September 2013. The key recommendations in the Consultation Document are set out in **Appendix I** and a summary of the views collected during the Consultation is in **Appendix II**. The Steering Committee submitted its report to the Government on 17 February 2014.

3. On 16 December 2014, the Government promulgated the new LTHS and released the "LTHS Implementation Milestones as at December 2014".⁴ The Government made a major policy shift by adopting a supply-led strategy with a view to averting the supply-demand imbalance. In addition to increasing the supply of public and private housing, the Government would also seek to ensure the rational use of public rental housing ("PRH") resources and consider how to expand the forms of subsidized home ownership.

4. As recommended by the Steering Committee, the Government would update the long term housing demand projection annually and presents a rolling ten-year housing supply target in order to capture social, economic and market changes over time and to make timely adjustment where necessary. According to the housing demand projections published in December 2017, the total housing supply target for the ten-year period from 2018-2019 to 2027-2028 was 460 000 units. With a public/private split of 60:40, the supply targets for public and private housing were 280 000 units and 180 000 units respectively.

Establishment of a Housing Reserve

5. To meet the ten-year public housing supply target as set out in LTHS, the Government established a Housing Reserve. On top of the initial sum of \$27.5 billion earmarked for the Housing Reserve in 2014 (which measured \$29 billion given the interest accrued), the Government made a further injection of about \$45 billion in the 2016-17 Budget with a view to securing the long-term and sustained delivery of the housing targets. As advised by the Administration in February 2018, the Housing Reserve would reach \$78.8 billion by 31 March 2018.⁵

³ The Consultation Document set out the Steering Committee's views and recommendations on the proposed LTHS, encompassing issues such as the vision for LTHS, the projection of long term housing demand, the housing needs of specific groups in the community, measures to maximize the rational use of public rental housing resources, the role of various housing delivery agents and measures to increase housing supply, etc.

⁴ The documents are available from the following website of the Transport and Housing Bureau: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

⁵ [Budget Speech for 2018-19](#)

Major views and concerns

6. The Panel received a briefing by the Administration on the new LTHS at its meeting on 5 January 2015. A special meeting was held on 21 March 2015 to receive public views. Since January 2016, the Administration briefed the Panel on the implementation of the key aspects of LTHS annually. The major views and concerns expressed by members on the subject are summarized in the ensuing paragraphs.

Land supply for public housing

7. Members opined that since the formulation of LTHS, the projected public housing production had yet to meet the ten-year supply target. They cast doubt on whether relevant bureaux/departments could identify sufficient housing sites for making up the shortfall. Some members called on the Administration to step up efforts in securing sites over the territory suitable for public housing development and take more effective measures to increase land supply.

8. The Administration advised that as pointed out in the LTHS Annual Progress Report 2017, the Administration had identified land for the construction of about 237 000 public housing units for the ten-year period from 2018-2019 to 2027-2028, falling short of the public housing supply target of 280 000 units. In June 2018, the Government decided 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 were expected to provide some 10 600 public housing units, which would help narrow the public housing shortage in later years. The Administration would also continue to increase housing land supply in the short, medium and long term through a multi-pronged approach, which included increasing the development density of developed areas, rezoning existing land, developing new development areas, etc. The Task Force on Land Supply, established in September 2017, would submit a report on various land supply options to the Government after completing the five-month public engagement exercise.

Proportion of public rental housing in public housing supply

9. In view that grassroots or low-income households might not be able to afford owning a flat, including subsidized sale flats ("SSFs"), and there was a long queue of applicants waiting for PRH allocation, some members opined that the Administration should continue to accord priority to providing PRH in the allocation of public housing resources, and should make clear the proportion of PRH in the future public housing supply.

10. The Administration advised that PRH was a safety net for low-income households, and it was the Government's responsibility to provide PRH units to needy families. On the premise that the PRH production would not be compromised, the Administration would continue to provide SSFs to achieve the relevant supply target under LTHS. As mentioned in LTHS, given the nature of SSFs as a buffer between PRH and private housing, the Hong Kong Housing Authority ("HA") needed to maintain the inter-changeability of PRH and SSFs and adjust their supply in a timely manner to better respond to changes in market situations and the housing needs of the community at large. According to the LTHS Annual Progress Report announced in December 2017, the ten-year public housing supply target of 280 000 units comprised 200 000 PRH units and 80 000 SSFs. The various supply targets would be updated and announced in the LTHS Annual Progress Report 2018 in late 2018.

Provision of transitional housing

11. Members opined that as many households living in inadequate housing were waiting for public housing and facing hardships such as frequent rent increases, apart from increasing and speeding up the public housing supply, the Administration should also provide transitional housing to address the housing needs of these inadequately housed households. Some members opined that instead of assuming the role of facilitating community initiatives on transitional housing only, the Administration should also undertake the responsibility for producing adequate transitional housing and set a supply target for it.

12. The Administration advised that in order to avert the fundamental housing demand-supply imbalance at source and address the housing problem in the long run, the ultimate solution was to increase land and housing supply in a continuous and stable manner. With insufficient land and when new supply was not yet available, the Administration would assist families that had been waiting for PRH for a long period of time and residents in poor living conditions by optimizing the existing housing resources. Therefore, the 2017 Policy Address suggested that the Administration would support and facilitate the implementation of various short-term initiatives proposed and implemented by the community on top of the Government's long-term housing policies and programmes so as to increase the supply of transitional housing. These transitional housing proposals might make use of the potential and resources in the community outside the Government, and offer flexible and multiple relief measures for the beneficiaries.

Redevelopment of aged public housing estates

13. Members opined that quite a number of public housing estates were over 50 years of age, and the facilities in the estates had fallen into severely aged conditions, with the plot ratios of the sites concerned not yet fully utilized. They enquired about the Administration's position regarding the redevelopment of the aged PRH estates under HA, and the factors based on which HA would determine the redevelopment priorities of its estates.

14. The Administration advised that with the current strong demand for PRH, it was not advisable to carry out massive redevelopment programme which would result in freezing a large number of PRH units that might otherwise be allocated to households in need of PRH, and resulting in an immediate adverse impact on the average waiting time for PRH. Hence, redevelopment could at best serve as a supplementary source of PRH supply. Based on the directions set out in LTHS, HA would continue to prudently consider redevelopment of individual aged PRH estates, taking into account the actual circumstances, and with reference to the four basic principles under the HA's "Refined Policy on Redevelopment of Aged PRH Estates" formulated in 2011, namely, structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment. For aged PRH estates with no confirmed redevelopment plan, HA would continue to implement various programmes and measures to upkeep and improve the building conditions.

Providing local first-time home buyers with stamp duty concessions

15. In view that to meet their genuine housing needs, the local first-time home buyers had to purchase flats at high prices and pay an ad valorem stamp duty ("AVD") at the basic rates (i.e. AVD rates at Scale 2), members enquired whether the Administration would consider providing stamp duty concessions to them.

16. The Administration advised that to minimize the adverse consequences arising from an exuberant market, the Government had all along been adopting a two-pronged approach: striving to increase land and housing supply to meet demand on one hand; and introducing several rounds of demand-side management measures as and when necessary to suppress external demand, short-term speculative demand and investment demand on the other hand. The Administration believed that any move to relax the demand-side management measures or to provide stamp duty concessions might be speculated by the market as a signal from the Government to "water down" the measures or to encourage the public to become home owners, thereby resulting in a more exuberant market. Besides, the suggestion might also stimulate demand for local residential properties, thereby pushing up property prices especially when the current housing supply still lagged behind demand.

Recent developments

17. On 21 December 2018, the Government released the LTHS Annual Progress Report 2018⁶ ("the Report"). Based on the latest projection, the Government has adopted 450 000 units as the total housing supply target for the 10-year period from 2019-2020 to 2028-2029, with the public/private split of 70:30. The supply targets for public and private housing would be 315 000 units and 135 000 units respectively. The key housing targets spelt out in the Report are set out below –

Total housing supply target	450 000 units
Public/private split	70:30
Public housing supply target	315 000 units (220 000 PRH/Green Form Subsidised Home Ownership Scheme ("GSH") units + 95 000 Other SSFs) ⁷
Private housing supply target	135 000 units ⁸

According to the Report, the latest average waiting time for general PRH applicants is 5.5 years (as at end-September 2018). Among them, the average waiting time for elderly one-person applicants is 2.9 years.

⁶ The document was issued via LC Paper [CB\(1\)388/18-19\(03\)](#) and is available from the following website of Transport and Housing Bureau:
<http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

⁷ Since the promulgation of LTHS in 2014, the housing supply targets have been categorized into private housing, and "PRH" and "SSFs" under public housing. As mentioned in the Report, to reflect new developments in the supply targets, including among others the HA's decision to regularize GSH in January 2018, the Administration revise the categorization of the public housing supply targets from "PRH" and "SSFs" to "PRH/GSH" and "Other SSFs" respectively, taking into account the interchangeability between PRH and GSH, as well as the fact that the target group of GSH is essentially the same as that of PRH, and that the "one-for-one" arrangement under GSH (i.e. HA can allocate the PRH flats originally resided by or to be allocated to Green Formers to those waiting for PRH upon the purchase of GSH units by such Green Formers) will not reduce the PRH supply.

⁸ According to the Report, Starter Homes units will count towards private housing.

18. On land supply, the Government has identified land for the construction of about 248 000 public housing units for the ten-year period from 2019-2020 to 2028-2029, assuming that all sites identified can be delivered on time for housing construction. The Administration acknowledges that there is a gap between the amount of land identified and the public housing supply target.

Latest position

19. The Administration will brief members on the LTHS Annual Progress Report 2018 at the Panel meeting on 7 January 2019.

Relevant papers

20. A list of relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
3 January 2019

The key recommendations in the Consultation Document entitled "Building Consensus, Building Homes"

- (a) The Government should enhance its role in the provision of housing in order to resolve the problem of supply-demand imbalance. The future housing strategy should be supply-led.
- (b) The total housing supply target for the next 10 years (i.e. from 2013-2014 to 2022-2023) should range from 440 000 units to 500 000 units, with a proposed supply target of 470 000 units.
- (c) The public/private split for the new housing supply target for the next 10 years should be 60:40 (public housing includes both public rental housing ("PRH") and subsidized sale flats). There is also a need for an increase in the supply of Home Ownership Scheme ("HOS") flats above the number which the Government has pledged.
- (d) Low-income elderly and low-income families on the Waiting List ("WL") should be given priority for PRH and the average waiting time ("AWT") target of about three years for general applicants on the WL for PRH should be maintained. Consideration should be given to refining Quota Points System by progressively reducing the waiting time for those non-elderly one-person applicants above the age of 35. The feasibility of building dedicated PRH blocks for singletons at suitable fill-in sites within existing PRH estates should also be explored.
- (e) The Government should step up its enforcement actions to eradicate subdivided units ("SDUs") which are illegal and in breach of building and fire safety regulations, and to consider introducing a licensing or landlord registration system to better regulate the safety and hygiene conditions of SDUs in residential and composite buildings. At the same time, the feasibility of providing special transitional housing on temporarily vacant Government owned sites should also be explored.
- (f) An effective housing ladder should be established and the supply of HOS flats should be increased with a view to assisting the younger generation to purchase flats according to their own affordability.

- (g) As regards the calls to provide rent assistance to the grassroots and to implement rental control (including rent control), the Steering Committee is concerned that such measures would be counter-productive under a tight supply market situation, as any rent subsidy provided by the Government would most likely lead to upward pressure on rental levels. The suggestion to re-launch the "Home Starter Loan Scheme" is also considered inappropriate under the current acute housing supply situation lest flat prices will be pushed up.
- (h) The various procedures and approval requirements in relation to planning and land administration should be reviewed in order to speed up the release of land resources to meet the urgent need for a substantial increase in housing; and to strike a balance between development and a sustainable environment in accordance with the community's consensus.
- (i) Future new towns should be developed as self-sustained communities in an "integrated" manner. In the long run, the average living space should be progressively increased, perhaps starting with PRH in non-urban districts.

Source: Paragraph 90 of the Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. [CB\(1\)1705/13-14](#)).

A summary of the views collected during the Consultation

The views collected during the Consultation indicate that there is wide public support on the following issues –

- (a) a supply-led strategy with public housing accounting for a higher proportion of the new housing production;
- (b) the long term housing supply target of 470 000 units for the coming 10 years, with public housing making up a higher proportion of at least 60% of the new housing production;
- (c) higher priority should be accorded to addressing the housing needs of inadequately housed households;
- (d) building more flats under HOS to meet the home ownership aspirations of youngsters and first-time home buyers;
- (e) the AWT for PRH for general applicants on the WL should be maintained at about three years, and that more should be done to ensure the rational use of precious PRH resources; and
- (f) there should be more private sector participation in the provision of subsidized housing. Further efforts should be made by the Government to facilitate housing development, both in terms of streamlining the housing development processes and strengthening manpower resources in the construction industry.

On the other hand, the public have expressed divergent views on a number of issues, including the introduction of a licensing or a landlord registration system for SDUs; and the reinstatement of some form of rental control (including control on rent and the security of tenure).

Long Term Housing Strategy

List of relevant papers

Council/ Committee	Date of meeting	Papers
Subcommittee on the Long Term Housing Strategy	27 September 2013	<p>Administration's Consultation Document on "Long Term Housing Strategy: Building Consensus, Building Homes" (LC Paper No. CB(1)1756/12-13(01))</p> <p>Administration's paper on "Long Term Housing Strategy Consultation Document" (LC Paper No. CB(1)1818/12-13(01))</p> <p>Information note on "Long Term Housing Strategy" prepared by the Research Office of the Legislative Council Secretariat (LC Paper No. IN27/12-13)</p> <p>Minutes of meeting (LC Paper No. CB(1)1293/13-14)</p> <p>Administration's supplementary information note on "Assessing the Vacancy Situation of Housing Units in Hong Kong" (LC Paper No. CB(1)194/13-14(01))</p> <p>Administration's supplementary information note on "Projection of Long Term Housing Demand" (LC Paper No. CB(1)194/13-14(02))</p>
Subcommittee on the Long Term Housing Strategy	14 March 2014	<p>Administration's paper on "Long Term Housing Strategy Report on Public Consultation" (LC Paper No. CB(1)1053/13-14(01))</p> <p>"Long Term Housing Strategy Report on Public Consultation" published by the Long Term Housing Strategy Steering Committee" (LC Paper No. CB(1)915/13-14(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)1611/13-14)</p>

Council/ Committee	Date of meeting	Papers
Panel on Housing	7 July 2014	Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. CB(1)1705/13-14)
Panel on Housing	5 January 2015 and 21 March 2015	Administration's paper on "Long Term Housing Strategy" and "Long Term Housing Strategy Implementation Milestones as at December 2014" (LC Paper No. CB(1)352/14-15(01)) Minutes of meetings (LC Paper No. CB(1)482/14-15 and LC Paper No. CB(1)855/14-15)
Panel on Housing	4 January 2016	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2015" (LC Paper No. CB(1)335/15-16(01)) Minutes of the meeting (LC Paper No. CB(1)601/15-16)
Panel on Housing	9 January 2017	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2016" (LC Paper No. CB(1)350/16-17(01)) Minutes of the meeting (LC Paper No. CB(1)628/16-17) Administration's supplementary information (LC Paper No. CB(1)757/16-17(01) and (LC Paper No. CB(1)1170/16-17(01))
Panel on Housing	9 January 2018	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2017" (LC Paper No. CB(1)383/17-18(01)) Minutes of the meeting (LC Paper No. CB(1)892/17-18) Administration's supplementary information (LC Paper No. CB(1)696/17-18(01))