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Panel on Housing

Meeting on 6 January 2020

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

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.

Consensus, Building Homes" ("the Consultation 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 2018, the total housing supply target for the ten-year period from 2019-2020 to 2028-2029 was 450 000 units. With a public/private split of 70:30,⁵ the supply targets for public and private housing were 315 000 units and 135 000 units respectively.

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 Since the promulgation of LTHS in 2014, the public/private split of new housing supply had been maintained at 60:40. The Policy Address delivered in October 2018 suggested that the public/private split of the future ten-year housing supply target under LTHS might need to be adjusted. In December 2018, the Government announced that the public-private split was revised to 70:30 for the ten-year period from 2019-2020 to 2028-2029.

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 2019, the accumulated balance of the Housing Reserve was \$82.4 billion.⁶

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.

Performance in meeting the supply target

7. Members expressed concern on the Administration's performance in catching up with the supply target since the formulation of LTHS, and considered that the shortfall might continue even though the Administration had adjusted the public/private split of new housing supply to 70:30.

8. The Administration advised that to implement LTHS and facilitate the sustainable development of Hong Kong, the Administration had been adopting a multi-pronged approach to increase land supply in a sustained and persistent manner. In the short-to-medium term, through rezoning of some 210 sites and increasing development intensity⁷, as well as Kai Tak

⁶ As announced in the [2019-20 Budget](#), the Government would bring back the balance of the Housing Reserve to the fiscal reserves over four years from 2019-2020 to 2022-2023, and would earmark the same amount in the fiscal reserves for public housing development to demonstrate the Government's firm commitment.

⁷ 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 in accordance with the established procedure, seek approval of the Town Planning Board as required.

Development, over 380 000 residential units could be provided in total. In the medium-to-long term, various New Development Area and New Town Extension projects, together with potential railway property development projects (including Siu Ho Wan Depot and Pat Heung Depot), could altogether provide over 230 000 housing units.⁸ The Administration believed that the ten-year public housing supply target would be achieved if the land resources provided through various land supply initiatives could be made available on time for development.

Supply of public housing

9. Members noted that the Administration's projected public housing production for the five-year period from 2018-2019 to 2022-2023 was about 100 800 units, and questioned whether the Administration could secure all the sites required for providing the remaining public housing units in order to meet the LTHS ten-year supply target of 315 000 units. Some members suggested that to catch up with the public housing supply target under LTHS, the Administration should re-allocate more private housing sites for developing public housing, and request the Hong Kong Housing Society ("HS") and the Urban Renewal Authority ("URA") to assist in the production of more public housing, for the purpose of increasing the supply of PRH and subsidized housing in the short term.

10. The Administration advised that to implement the LTHS's housing production target, the Development Bureau and the Planning Department had been maintaining close liaison with the Transport and Housing Bureau ("THB") and the Housing Department ("HD") to identify suitable sites for HA/HS to build public housing. With a view to further boosting public housing supply, the Government had announced in June 2018 its decision to re-allocate nine private housing sites for public housing development. These sites were expected to provide some 11 000 units. One of the sites in Kai Tak would be allocated to HS for the redevelopment of Chun Seen Mei Chuen. As regards the remaining eight sites, HA and HS would each take up one site in Kai Tak and three sites in Anderson Road Quarry for development of subsidized sale flats ("SSFs"). The five sites to be granted by the Government to HS would provide about 6 600 units in total.⁹

⁸ LC Paper No. [CB\(1\)688/18-19\(01\)](#)

⁹ LC Paper No. [CB\(1\)205/19-20\(01\)](#)

11. The Administration further advised that URA, as a statutory body promoting urban renewal, had all along maintained an appropriate division of labour with HA/HS in that the latter was responsible for providing SSFs and PRH. URA had in 2015 converted 338 units in Kai Tak Development originally earmarked for its "Flat-for-Flat" Scheme into SSFs. URA had also in 2018 accepted the Government's invitation to assign its non-joint venture redevelopment project at Ma Tau Wai Road as a "Starter Homes" pilot project. All the 450 units in the project named "eResidence" had been sold in 2019. The Policy Address released in October 2019 had entrusted URA with a new mission to actively provide more "Starter Homes" or other types of SSFs in its redevelopment projects in light of the successful experience of "eResidence". The Government would provide resources as appropriate to enable URA to continue carrying out its urban renewal mission.

Increasing land supply for housing

12. Members opined that the Administration should make good use of the existing idle or under-utilized land for providing housing in a timely manner. Members enquired about the Administration's positions regarding the suggestions of increasing land supply for housing through resumption of the land of the Fanling Golf Course, conversion of vacant school premises, development of brownfields and the periphery of country parks.

13. The Administration advised that the current-term Government had made its best endeavours to search land for providing housing. Assuming that all sites identified could be smoothly delivered on time for housing development, the Administration had identified land for the construction of about 248 000 public housing units for the ten-year period from 2019-2020 to 2028-2029. The Government had announced its full acceptance of the recommendations tendered by Task Force on Land Supply ("TFLS") on land supply strategy and land supply options in February 2019, and would implement a number of specific measures to take forward the eight land supply options worthy of priority studies and implementation as recommended by TFLS, including expediting brownfield development, developing 32 hectares of land east of Fan Kam Road of the Fanling Golf Course for housing development, etc. Besides, the Administration would not at this stage further pursue the alternative land use of country park periphery.¹⁰

¹⁰ LC Paper No. [CB\(1\)688/18-19\(01\)](#)

14. In respect of vacant school premises, the Administration advised that when a vacant school premises was no longer required by the Education Bureau ("EDB") for school use, EDB would inform the Planning Department and other relevant departments (such as the Lands Department and HD) to conduct a review of the relevant site to consider its suitable alternative long-term use. Pending the deployment of the vacant school premises sites for the earmarked use, relevant departments would identify and arrange temporary or short-term uses for the vacant school premises, where feasible, for the effective utilization of land resources.

Provision of transitional housing

15. Members opined that increasing the number of transitional housing projects would help increase housing supply in short or medium-term. Instead of merely facilitating non-government organizations to take forward such projects, the Administration should take up the responsibilities of producing adequate transitional housing units, and invite HA, HS and URA, which had rich experience in housing construction, to assist in the provision of transitional housing.

16. The Administration advised that the Task Force on Transitional Housing, set up under THB, would continue to provide one-stop coordinated support to facilitate the implementation of transitional housing projects. It would provide the necessary support to suitable projects upon consultation with relevant bureaux and departments, offer advice on relevant administrative or statutory procedures, assist in funding applications, etc. As mentioned in the 2019 Policy Address, URA, HS, Hong Kong Construction Association and other organizations would offer professional advice and project management support to community groups participating in transitional housing projects. As regards HA, HD staff would shoulder heavy responsibilities for meeting the relevant supply target under LTHS and need to focus their efforts on delivering public housing projects.¹¹

Private housing

Measures to assist inadequately-housed households

17. Some members opined that it might take time for HA to provide adequate PRH to meet the demand, and the Administration should put in place measures to assist the inadequately-housed families, including households in sub-divided units, who were facing high and frequent rent

¹¹ LC Paper No. [CB\(1\)1112/18-19](#)

increases of private housing when waiting for PRH. They enquired whether the Administration would introduce tenancy control, rent subsidy and vacancy tax simultaneously, in order to protect the interests of these tenants and alleviate their flat rental pressures without affecting the supply of rental flats.

18. The Administration advised that different Government departments had all along been providing appropriate assistance to grassroots households from different perspectives including housing, social welfare, community support services, etc. To further alleviate the difficulties faced by grassroots households, the Policy Address delivered in October 2019 had proposed to invite the Community Care Fund to launch two rounds of "One-off Living Subsidy" for the low-income households not living in PRH and not receiving Comprehensive Social Security Assistance in the next financial year. This would allow time for the Administration to complete the study on devising a scheme to provide cash allowance on a regular basis towards the end of 2020. The Secretary for Labour and Welfare would take lead in the relevant study, while THB would actively support the conduct of the study from the housing policy perspective.¹² The Administration considered that whether implementing the cash allowance scheme would push up rents, and hence warrant considering the introduction of tenancy control, depended on the eligibility criteria for receiving the cash allowance (e.g. whether the allowance was linked to the actual rental expenses), mode and arrangements in disbursing the allowance, etc. No simple conclusion could be drawn for the time being. The Administration could deliberate on the matter after the completion of the study on the regularization of the cash allowance scheme.¹³

19. On the suggestion of introducing vacancy tax on residential properties with a view to increasing the supply of rental accommodations, the Administration advised that according to the Rating and Valuation Department's statistics, the vacancy rate of private residential properties in Hong Kong had maintained at a rather low level in the past few years. The vacancy rate as at end-2018 was 4.3%, which was lower than the longstanding average vacancy rate of 5% during the period from 1998 to 2017. If private residential units completed in 2018 were excluded, the vacancy rate for the remaining units as at end-2018 would be 2.8%. With a rather low vacancy rate of private residential properties, the Administration considered that introducing an overall vacancy tax might not be an effective measure to help increase housing supply. As opposed to the

¹² LC Paper No. [CB\(1\)205/19-20\(01\)](#)

¹³ LC Paper No. [CB\(1\)32/19-20\(01\)](#)

overall private residential property market, the Administration was more concerned about vacancy of first-hand private flats owned by developers, and had proposed to amend the Rating Ordinance (Cap. 116) to introduce Special Rates on vacant first-hand private flats with a view to encouraging more timely supply of these flats.¹⁴

Restrictions on purchase of residential properties by people outside Hong Kong

20. Given the keen housing demand in Hong Kong, members asked whether the Administration would consider introducing measures to restrict purchase of and investment in residential properties by people outside Hong Kong.

21. The Administration advised that to address the overheated property market, the Government had introduced several rounds of demand-side management measures since 2010, among them were the Buyer's Stamp Duty ("BSD") introduced in October 2012 and the New Residential Stamp Duty ("NRSD") introduced in November 2016. With these measures, acquisition of local residential properties by non-Hong Kong permanent residents (including all companies) was subject to BSD and NRSD (both at a flat rate of 15%), i.e. a stamp duty of 30% in aggregate. According to the Inland Revenue Department's statistics, purchases by non-local individuals and non-local companies only constituted 0.9% of total residential property transactions in the first three quarters of 2019, lower than that of 4.5% in January to October 2012 (i.e. before the introduction of BSD). The Administration considered that the demand-side management measures remained effective in managing external demand.¹⁵

Redevelopment of aged public rental housing estates

22. Some members opined that aged PRH estates such as Shek Kip Mei Estate, Wo Lok Estate, Kwai Shing West Estate, etc. were dilapidated with plot ratios of the sites not yet fully utilized. The Administration should consider taking forward redevelopment of them to increase the medium-to-long term housing supply and to improve the living environment of residents in old estates. A timetable for redeveloping aged PRH estates should be put in place.

¹⁴ LC Paper No. [CB\(1\)139/19-20\(02\)](#)

¹⁵ LC Paper No. [CB\(1\)271/19-20\(01\)](#)

23. The Administration advised that while redevelopment might increase PRH supply over the long term, it would immediately reduce the number of flats which could be allocated to those waiting for PRH because such flats, instead of being allocated to PRH applicants, would have to be used to rehouse tenants displaced by redevelopment. While redevelopment would provide more flats when it was completed, this would take a few years, which would lengthen PRH applicants' waiting time. Hence, it was not advisable to carry out massive redevelopment programmes, given the current high demand and long waiting time for PRH. HA would continue to consider redevelopment on an estate-by-estate basis in accordance with the "Refined Policy on Redevelopment of Aged PRH Estates" formulated in 2011.¹⁶

Recent developments

24. On 18 December 2019, the Government released the LTHS Annual Progress Report 2019¹⁷ ("the Report"). Based on the latest projection, the Government has adopted 430 000 units as the total housing supply target for the ten-year period from 2020-2021 to 2029-2030, with the public/private split of 70:30. The supply targets for public and private housing would be 301 000 units and 129 000 units respectively. The key housing targets spelt out in the Report are set out below –

Total housing supply target	430 000 units
Public/private split	70:30
Public housing supply target	301 000 units (210 000 PRH/Green Form Subsidised Home Ownership Scheme ("GSH") units + 91 000 Other SSFs)
Private housing supply target	129 000 units

¹⁶ According to this policy, HA will consider redevelopment of individual estates with reference to four basic principles, viz. 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 (LC Paper No. [CB\(1\)388/18-19\(03\)](#)).

¹⁷ The document was issued via LC Paper No. [CB\(1\)278/19-20\(03\)](#) and is available from the following website of Transport and Housing Bureau: <http://www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm>.

25. According to the Report, assuming that all sites identified for PRH/GSH/Other SSFs by the Government can be delivered on time for housing development, the estimated public housing production for the ten-year period from 2020-2021 to 2029-2030 is about 272 000 units.

Latest position

26. The Administration will brief members on the LTHS Annual Progress Report 2019 at the Panel meeting on 6 January 2020.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
31 December 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).

Source: Paragraphs 91-92 of the Report of the Subcommittee on the Long Term Housing Strategy ([LC Paper No. CB\(1\)1705/13-14](#)).

Long Term Housing Strategy

List of relevant papers

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>

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))

Committee	Date of meeting	Papers
Panel on Housing	7 January 2019	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2018" (LC Paper No. CB(1)388/18-19(03)) Minutes of the meeting (LC Paper No. CB(1)1112/18-19)