

**For discussion  
on 1 June 2020**

## **Legislative Council Panel on Housing**

### **“Starter Homes” Pilot Projects for Hong Kong Residents**

#### **Purpose**

This paper aims to brief Members on the latest progress of the “Starter Homes” pilot projects for Hong Kong residents.

#### **2017 Policy Address**

2. “Starter Homes” (SH) is a new concept introduced by the Chief Executive in her 2017 Policy Address, with a view to enriching the housing ladder by adding a rung below private housing and above the Home Ownership Scheme (HOS). As a type of subsidised sale flats, SH aims to help the higher-income families who are not eligible for HOS and yet cannot afford private housing to meet their home ownership aspirations in the face of high property prices. Given the limited land supply for public housing for the time being, the Government stated clearly that SH units would only be provided on the premise that the existing supply of public housing would not be affected. The 2017 Policy Address proposed to launch a pilot project to test out the SH concept by using a private residential site at Anderson Road, Kwun Tong, on the Government’s Land Sale Programme.

#### **The First SH Pilot Project**

3. Having considered that it would take several years before SH units at the Anderson Road site could be put up for sale given the time required for disposal of the site and construction work, the Government decided in June 2018 to test out the SH concept earlier by inviting the Urban Renewal Authority (URA) to assign its redevelopment project at Ma Tau Wai Road (MTWR) as an SH pilot project. The MTWR project can provide 450 SH units (comprising studio, 1-bedroom and 2-bedroom units) with saleable area ranging from 24 m<sup>2</sup> to 47 m<sup>2</sup> (around 260 ft<sup>2</sup> to 510 ft<sup>2</sup>).

4. In December 2018, URA announced the pre-sale of the 450 SH units at the MTWR project. URA received over 20 800 applications, with an over-subscription rate of 45 times. All these SH units were sold in June 2019. Major features of the MTWR project are summarised as follows –

- (a) **Key eligibility criteria** – SH applicants have to be Hong Kong residents (i) who have lived in Hong Kong for seven years; (ii) who have never owned any residential property in Hong Kong; (iii) whose income falls between the HOS income limits for White Form (WF) applicants and 30% above such limits<sup>1</sup>; (iv) whose assets should not exceed the limit of 30% above the HOS asset limits for WF applicants<sup>2</sup>; and (v) who have not obtained or are not enjoying any housing subsidies offered by the Government or other related organisations (e.g. URA, Hong Kong Housing Authority and Hong Kong Housing Society).
- (b) **Pricing** – SH units are sold at a discount from their assessed market values. To maintain relativity among different rungs along the housing ladder, the discount rate for SH units should be less than that decided for the preceding HOS sale exercise. SH units at the MTWR project were sold at 62% of the assessed market values (i.e. a discount rate of 38%, which was 10% less than the 48% discount for the 2018 HOS sale exercise). The discounted selling prices of the 450 SH units ranged from \$3.14 million to \$6.61 million.
- (c) **Alienation restrictions** – SH owners are not allowed to sell or let their units within five years from the date of first assignment. After the first five years, SH owners have to pay a premium to URA before they can sell or let their units in the open market. SH owners do not have the option to sell their units without payment of premium to Green Form or WF buyers in a captive secondary market.

## **The Second SH Pilot Project**

5. In view of the strong public demand for SH units and very positive response to the SH concept, the Chief Executive announced in her 2019 Policy Address that the Government would put up the private residential site on Anderson Road for sale in the first quarter of 2020. In addition to building private residential units, the developer will be required under the land sale conditions to design and construct SH units, and be responsible for disposing of all residential units on site. This second SH pilot project aims to test out the arrangements of enlisting private developers to build and sell SH units.

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<sup>1</sup> Under the MTWR project, applicants with two or more persons should have an income that fall between \$57,001 and \$74,100, and single-person applicants' income should fall between \$28,501 and \$37,050.

<sup>2</sup> The asset limits under the MTWR project were \$2.55 million for applicants with two or more persons, and \$1.28 million for single-person applicants.

6. The Anderson Road site has a site area of about 20 167 m<sup>2</sup> and the maximum gross floor area (GFA) in respect of the site is 101 185 m<sup>2</sup>. Government invited public tender for the site on 20 March 2020. Detailed development parameters concerning the implementation of the second SH pilot project are stipulated in the land sale conditions of the Anderson Road site. Major parameters are summarised as follows –

- (a) **Flat type and size** – All residential units to be built by the developer on the site should range from 23 m<sup>2</sup> to 46 m<sup>2</sup> (around 250 ft<sup>2</sup> to 500 ft<sup>2</sup>) in saleable area, among which 20% will be studio units, 25% will be one-bedroom units and the remaining 55% will be two-bedroom units.
- (b) **Random selection** – After the developer has obtained occupation permit of the project, the Government will randomly select from all residential units no less than 1 000 SH units, including 200 studio units, 250 one-bedroom units and 550 two-bedroom units, provided that the total GFA of all SH units meet the minimum requirement of 57 387 m<sup>2</sup> as stipulated in the land sale conditions.
- (c) **Key eligibility criteria** – The developer is required to offer for sale the SH units to persons who meet the eligibility criteria set by the Government. Key eligibility criteria of SH applicants under the Anderson Road project should include those adopted for the MTWR project as set out in paragraph 4(a) above. The Government by making reference to the prevailing HOS limits will determine the detailed eligibility criteria prior to the sale of SH units by the developer.
- (d) **Pricing** – The developer is required to sell the SH units at 80% of the market prices. Prior to the sale of the SH units, the developer needs to submit a valuation report setting out the assessed market values of all SH units for the Government's reference. The Government will have the sole and absolute right to determine the open market values of the SH units.
- (e) **Alienation restrictions** – The alienation restrictions are the same as those imposed under the MTWR project, i.e. SH owners are not allowed to sell or let their units within five years from the date of first assignment; and after the first five years, SH owners have to pay a premium to the Government before they can sell or let their units in the open market.

7. A total of nine tenders were received upon the close of tender invitation on 15 May 2020. The Government announced on 19 May 2020 that the tender for the Anderson Road site had been awarded to highest tenderer, Art Champion Investment Limited (parent company: CK Asset Holdings Limited), on a 50-year land grant at a premium of \$4,951 million. The Government will closely monitor the implementation of the Anderson Road project to ensure that it is developed in accordance with the parameters stipulated in the land sale conditions.

### **Way forward**

8. Apart from enlisting private developer to build and sell SH units, the Government has also considered providing SH units through other sources. As mentioned in the 2019 Policy Address, the Government will entrust URA with a new mission to actively provide more SH or other types of subsidised sale flats in its redevelopment projects in light of the successful implementation of the MTWR SH pilot project. We understand that URA is conducting an internal study on other possible projects which could be assigned for the purpose and its related financial implications to URA. URA will announce the details after internal deliberations and approval from its Board. In addition, the Government will take stock of the experience gained in the MTWR and Anderson Road projects in considering the way forward of SH pilot project(s).

### **Advice sought**

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

**Transport and Housing Bureau**  
**May 2020**