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Panel on Housing

Meeting on 1 June 2020

**Background brief prepared by the Legislative Council Secretariat
on "Starter Homes" pilot projects for Hong Kong residents**

Purpose

This paper provides background information on the "Starter Homes" ("SH") pilot projects for Hong Kong residents and a summary of the major views and concerns on the subject expressed by members at the Panel on Housing ("the Panel") in recent years.

Background

2. To re-ignite the hopes of higher-income families which were not eligible for Home Ownership Scheme ("HOS") and yet could not afford private housing to meet their home ownership aspiration in the face of persistently high property prices, the Chief Executive ("CE") announced the introduction of the SH Pilot Scheme for Hong Kong residents in her 2017 Policy Address. The Scheme was introduced on the premise that public housing supply would not be affected, in order to enrich the housing ladder and provide people at different income levels with home ownership opportunities.

3. The Government's initial thinking was to incorporate provisions into the land lease to require developers to pursue mixed developments on sites owned by themselves or bought from the Government, i.e., to design, build and offer for sale a specified number of SH units in addition to private housing units, and to sell these units to target buyers who met the eligibility criteria set by the Government. The criteria included, among others, Hong Kong residents who had lived in Hong Kong for seven years or more and had never owned any property in Hong Kong. Their income would fall between the income limits

for HOS applicants and about 30% higher than such limits. The prices and sizes of SH units would be determined having regard to the eligible buyers' ability to afford. The alienation restrictions might be tighter than those for HOS, and the Administration would further consider how to deal with the issue of premium payment upon alienation. As SH was a new concept, the Government would discuss with the Housing Authority ("HA") and relevant sectors and listen carefully to the views of the community.

"Starter Homes" pilot projects

4. In order to test out the SH concept earlier, the Government invited the Urban Renewal Authority ("URA") in June 2018 to assign its redevelopment project at Ma Tau Wai Road as the first SH pilot project. URA put up 450 SH units for pre-sale at 62% of their assessed market values, with an over-subscription rate of 45 times. All units were sold in June 2019.

5. In view of the public's strong demand for SH units and positive response in the community to the SH concept, CE announced in the 2019 policy Address that the Government had decided to implement the second SH pilot project by putting up a site on Anderson Road in Kwun Tong¹ for sale to test out the arrangements of enlisting private developers to provide SH units. The developer would be required under land sale conditions to pursue mixed development in the site, and to offer about 1 000 SH units for sale at below-market prices to eligible applicants specified by the Government in addition to building private housing units. The Government would draw reference from the Ma Tau Wai Road pilot project in formulating the eligibility criteria and alienation restrictions.

6. CE also announced in the 2019 policy Address that in light of the successful implementation of its first SH project at Ma Tau Wai Road earlier, the Government would entrust URA with a new mission, inviting URA to provide more SH or other types of subsidized sale flats ("SSFs") in its redevelopment projects, and would provide resources as appropriate to enable URA to continue carrying out its urban renewal mission.

¹ The site on Anderson Road was originally planned for developing private residential units. The Chief Executive's 2017 Policy Address announced that the site had been reserved for launching SH pilot project.

Members' views and concerns

7. The major views and concerns expressed by Panel members are summarized in the ensuing paragraphs.

Land sites and land lease conditions for providing Starter Homes units

8. Members raised queries about the sources of land supply for providing SH units. Members considered it important for the Administration to ensure that the land sites for providing SH units were in compliance with the relevant land lease conditions and applicable laws and rules, and to consult the public on the SH Pilot Scheme. Citing as an example a case where a developer submitted an application in May 2017 to the Town Planning Board for developing subsidized housing and private flats on a green belt site which involved unauthorized developments, a member pointed out that developers who had made unauthorized use of their own land might take advantage of the SH Pilot Scheme to secure the relevant approval for changing the use of the land to residential purposes.

9. The Administration advised that land supply for providing SH units would be from sites already owned by private developers or to be bought from the Government under the Land Sale Programme. The Government's initial thinking was to incorporate provisions into the land lease to require developers to pursue mixed developments, i.e., to design, build and offer for sale a specified number of SH units in addition to private housing units, and to sell these units to target buyers who met the eligibility criteria set by the Government. The Administration undertook to relay members' views and concerns to the Development Bureau for consideration when drafting the land lease conditions.

Provision of public rental housing vis-a-vis Starter Homes units and subsidized sale flats

10. Some members expressed concern about the shift in the Government's policy focus from providing low-income households with public rental housing ("PRH") to encouraging home ownership. They asked about the allocation of newly developed land for development of different categories of housing and expressed concern that grassroots families could not afford SH units and SSFs.

11. The Administration advised that public housing comprised rental and sale flats. There were currently about 800 000 PRH units and about 400 000 SSFs with premium unpaid. The housing units to be provided under the SH pilot projects would be counted towards private housing under the supply target of the Long Term Housing Strategy, and the project would assist households who

would be ineligible for HOS and yet could not afford private housing to buy a home. As regards the public housing to be provided on newly developed land, the Administration would consider the appropriate proportion between rental and sale flats taking into account public views and responses. In planning the production of PRH and SSFs, the Administration would strike a balance among the housing needs of different categories of households.

12. The Administration added that PRH was a safety net for the grassroots and low-income families, and providing PRH units for needy families who could not afford private rental accommodation was a cornerstone of the Government's housing policy. Without affecting PRH production in meeting the demand of needy families, the Administration/HA would continue to provide SSFs if they were well received by the target applicants.

13. Some members cast doubt whether the Administration's policies and measures consummating the housing ladder assisted the right income groups which needed assistance most. The Administration advised that HOS, as a regular form of SSFs, provided an opportunity for families who were not eligible for PRH and yet could not afford private housing to achieve home ownership. The Administration/HA had also introduced other forms of SSFs to enrich the housing ladder, including the SH pilot projects for higher-income households which were not eligible for HOS and could yet to afford private housing in face of the prevailing private property prices.

Resale restrictions on subsidized sale flats and Starter Homes units

14. Some members considered that the five-year resale restriction endorsed by HA for HOS was not stringent enough to prevent speculative trading of such flats and that stricter resale restrictions should be imposed on SSFs to ensure that the supply of SSFs could genuinely help address the aspirations of the families who wished to own a flat for self-occupation. It was also not desirable to impose such lenient resale restriction on flats provided under new Green Form Subsidised Home Ownership Scheme ("GSH") projects or URA's SH pilot projects. They suggested that more stringent resale restrictions on these flats, including imposing a longer restriction period, say 10 years, requiring that owners might resell their flats only to households which met the eligibility criteria of the subsidized housing scheme concerned, etc.

15. The Administration advised that the revised alienation restrictions recently endorsed by HA for the new HOS flats offered for sale in 2018 in effect prevented owners from re-selling their flats in open market upon payment of premium within five years from first assignment from HA. HA would further discuss the alienation restrictions for GSH and future HOS flats, and URA would soon announce the details of sale arrangements and alienation restrictions for the flats provided under its SH pilot project.

Council Questions

16. Questions on issues related to the SH Pilot Scheme, including supporting facilities for the selected resident site for the Scheme and the work of URA, were raised at the Council meetings by Hon Regina IP and Hon WU Chi-wai on 6 December 2017 and 29 May 2019, respectively. The Council questions and the Administration's replies are hyperlinked in the **Appendix**.

Recent developments

17. The public tender invitation for the Anderson Road, Kwun Tong site for implementing the second SH pilot project was closed on 15 May 2020. According to the Administration², the land sale conditions of the site required the developer to offer for sale no less than 1 000 SH units selected by the Government at 80% of the market prices to persons who meet the eligibility criteria set by the Government. Moreover, the alienation restrictions of the SH units would forbid the owners to sell or let their units in the first five years after purchase, and require them to pay a premium to the Government before they could sell or let their units in the open market after the first five years.

Latest position

18. The Administration will brief the Panel on the SH pilot projects for Hong Kong residents at the Panel meeting on 1 June 2020.

Relevant papers

19. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
28 May 2020

² Press Release of the Hong Kong SAR Government dated 20 March 2020

"Starter Homes" pilot projects for Hong Kong residents**List of relevant papers**

Committee	Date of meeting	Paper
Panel on Housing	30 October 2017	Administration's paper on "Housing-related Initiatives in the Chief Executive's 2017 Policy Address and Policy Agenda" (LC Paper No. CB(1)19/17-18(01)) Minutes of meeting (LC Paper No. CB(1)746/17-18)
Council	6 December 2017	Council question on "Starter Homes" Pilot Scheme for Hong Kong residents
Panel on Housing	29 October 2018	Administration's paper on "Housing-related Initiatives in the Chief Executive's 2018 Policy Address and Policy Agenda" (LC Paper No. CB(1)14/18-19(01)) Minutes of meeting (LC Paper No. CB(1)798/18-19)
Panel on Housing	5 November 2018	Administration's paper on "Government's measures to assist Hong Kong people to achieve home ownership" (LC Paper No. CB(1)120/18-19(03)) Minutes of meeting (LC Paper No. CB(1)400/18-19)
Council	29 May 2019	Council question on work of Urban Renewal Authority
Panel on Housing	6 January 2020	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2019" (LC Paper No. CB(1)278/19-10(03))
		Press Release of the Government on Starter Homes for Hong Kong residents pilot project on Anderson Road, Kwun Tong dated 20 March 2020