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Panel on Housing

Meeting on 7 February 2022

Background brief 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,

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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.

Building Homes" ("the Consultation Document")³ on 3 September 2013. The key recommendations in the Consultation Document are set out in **Appendix 1** and a summary of the views collected during the Consultation is in **Appendix 2**. 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". 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 10-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 2021, the total housing supply target for the 10-year period from 2022-2023 to 2031-2032 was 430 000 units. With a public/private split of 70:30⁵, the supply targets for public and private housing were 301 000 units and 129 000 units respectively.

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.

The documents are available from the following website of the Transport and Housing Bureau:

https://www.thb.gov.hk/eng/policy/housing/policy/lths/ImplementationMilestones20

1412.pdf.

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 10-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 10-year period from 2019-2020 to 2028-2029.

- 5. On 8 December 2021, the Government released the LTHS Annual Progress Report 2021⁶. Based on the latest projection, the Government has adopted 430 000 units as the total housing supply target for the 10-year period from 2022-2023 to 2031-2032, 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.
- 6. As announced in the Chief Executive's 2021 Policy Address ("the 2021 PA"), the Government had identified about 350 hectares ("ha") of land to produce some 330 000 public housing units for the coming 10-year period (i.e. from 2022-23 to 2031-32). This figure was slightly higher than that announced last year, and could meet the estimated public housing demand of around 301 000 units in the coming 10-year period.

Members' views and concerns

7. Since January 2016, the Administration briefed the Panel on the implementation of the key aspects of LTHS annually. The Panel discussed the Long Term Housing Strategy Annual Progress Report 2020 at its meeting on 14 January 2021 and housing supply issues at the Policy Briefing on 20 October 2021. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Supply of land and public housing

- 8. Members noted that the supply of public housing in the first five years of the 10-year period was one third instead of half of the 316 000 public housing units, while the land for providing 316 000 units had been identified.
- 9. Members opined that the Administration should accelerate the implementation of the existing projects for increasing land supply and expeditiously conduct studies on various propositions of land development, such as use of the Fanling Golf Course ("FGC").
- 10. The Administration advised that through rezoning and suitably increasing development intensity to boost short-to-medium-term land supply, various initiatives could provide an aggregate of over 380 000 public and private housing units, including some 310 000 housing units (with over

⁶ The document is available from the following website of the Transport and Housing Bureau:

https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS Annual Progress Report 2021.pdf.

70% being public housing) made available by rezoning of over 210 sites with housing potential. As at June 2020, 139 sites had been rezoned or allocated for housing development, while another eight sites were undergoing rezoning procedures. Also, to further utilize public housing sites, the Government had refined the relevant policy such that the development intensity of public housing sites could be increased by a maximum of 30% where their technical feasibility permitted (except for the north of Hong Kong Island and Kowloon Peninsula which were more densely populated).

- 11. The Administration further advised that the Government had accepted the recommendations of the Task Force on Land Supply to resume the 32 ha of the 172-ha FGC for public housing in February 2019. Upon the expiry of the lease of the FGC in August 2020, the 32 ha of land would be subject to a special three-year hold-over arrangement until August 2023. Technical study for the 32-ha land had commenced in September 2019 and detailed design would commence after the completion of the statutory environmental impact assessment process in the latter half of 2021. On 19 November 2021, the Secretary for Development announced that the Government was hoping to build over 10 000 housing flats on the FGC site, with all of them earmarked as public housing units. The relevant town planning procedures were expected to begin in two to three months, with the site ready for development in September 2023.
- 12. Noting that the Government had reduced the land coverage of the Frontier Closed Area in phases, hence releasing 2 400 ha of land for various uses, members opined that the Administration should adopt new thinking in carrying out planning for the released lands, so as to fully realize their development potential to meet the long-term housing need of Hong Kong people and to grasp the opportunities arising from the increasing integration and cross-boundary activities with Shenzhen.
- 13. The Administration advised that it had conducted various studies relating to development of the released land of the Frontier Closed Area, including development of Lok Ma Chau Loop and the New Territories North ("NTN") development. The Lok Ma Chau Loop covered about 87 ha of land and would be used for innovation and technology development. Depending on whether there would be co-location arrangements at the new Huanggang Port in Shenzhen, the Administration would study how the over 20 ha of land that could be released from Hong Kong's Lok Ma Chau Boundary Control Point could be deployed for other uses. As regards the NTN development, the Administration had identified three potential development areas including San Tin/Lok Ma Chau Development Node, Man Kam To Logistics Corridor and NTN New Town, and had commenced the feasibility study of San Tin/Lok Ma Chau Development Node.

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Collaborations with public and private organizations in housing supply

- 14. Members expressed concern that the waiting time for PRH would continue to be long when the Administration was working towards the target of producing some 330 000 public housing units in the coming 10 years (i.e. from 2022-23 to 2031-32), and were concerned that apart from facilitating the development of more transitional housing units, the Administration had no other measures to speed up the supply of public housing to meet the imminent demand. They asked whether the Administration would consider collaborating with the private sector in developing public housing in future as it did in implementing transitional housing projects.
- 15. The Administration replied that of the about 330 000 public housing units to be produced in the coming 10 years, about 100 000 units were scheduled for completion in the first five years and the remaining about 230 000 units would be provided in the latter half of the 10-year period. The Government would continue to bring together community efforts as far as practicable to increase housing supply. Apart from the Hong Kong Housing Authority ("HA") which was the main provider of public housing, the Hong Kong Housing Society planned to provide about 23 000 housing units in the coming 10 years and the Urban Renewal Authority ("URA") had been undertaking projects to provide Starter Homes units. The Administration had been communicating with The MTR Corporation Limited to develop SSFs in its residential development atop the Siu Ho Wan Depot. Some private corporations and non-profit making organizations would work to develop affordable housing. The Development Bureau ("DEVB") had received several applications for the Land Sharing Pilot Scheme which if approved would provide an additional source of land for providing public housing units. The Administration would continue to step up efforts in collaborating with public and private organizations to support the Government's land and public housing supply initiatives.

Supply targets for public housing and transitional housing

16. In view of the problems of deteriorating living conditions and heavy housing burden faced by the public due to inadequate housing supply, members opined that the Administration should include transitional housing as one of the components of the housing ladder in Hong Kong and put in place a long-term supply target for such housing with a view to replacing inadequate housing in society in the long run; include in LTHS the objective of allocating PRH units to applicants within three years, with adjustments to the long-term supply target for public housing having regard to the objective; and increase the supply of various types of subsidized housing so as to enable members of the public from different strata to acquire home ownership according to their needs.

- 17. The Administration advised that one of the elements of the current-term Government's housing policy was to strive to build a housing ladder, so as to rekindle the hope of families in different income brackets to become home-owners. In this regard, the Government/HA had launched various schemes of subsidized sale flats ("SSF") (e.g. Home Ownership Scheme, Green Form Subsidized Home Ownership Scheme, White Form Secondary Market Scheme, etc.) and Starter Homes Pilot Projects for Hong Kong Residents to meet the home ownership aspirations of the citizens.
- 18. On transitional housing, the Government announced in January 2020 the provision of 15 000 transitional housing units over the next three years. In the 2021 PA⁷, the Chief Executive proposed to increase the overall supply of transitional housing to 20 000 units in the next few years by providing 5 000 additional units, and increase the amount of funding under the relevant funding scheme to \$11.6 billion. Given the short-term nature of transitional housing, the timing and amount of its supply were unstable and might be subject to changes in different periods of time, it was not suitable to include transitional housing in the 10-year housing supply target. In fact, one of the demand components to be considered during the annual update of long-term housing demand projection was inadequately housed households ("IHHs"). When determining the total housing supply target under LTHS, the Government had already taken into account the housing needs of IHHs.
- 19. As at November 2021, the Administration had identified land for providing over 15 000 transitional housing units, of which about 2 000 units were completed⁸, over 4 400 units were under construction, and projects with over 10 200 units had commenced consultation, procurement or tender procedures. To utilize housing resources efficiently and to support the hotel and guesthouse industry during the difficult times of COVID-19, the Government launched the "Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing" ("the Pilot Scheme") funded by the Community Care Fund in April 2021, under which Non-Governmental Organizations ("NGOs") might rent suitable rooms in hotels and guesthouses with relatively low occupancy rates as transitional housing. It was estimated that the Pilot Scheme could provide some 800 transitional housing units in total. The Pilot Scheme had approved a total subsidy of about \$72 million for six projects to provide about 600 units.

The document is available from the following website: https://www.policyaddress.gov.hk/2021/eng/pdf/PA2021.pdf

⁸ Including about 600 units provided through the "Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing".

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Implementation of transitional housing projects

- 20. Members opined that given that in contrast to permanent public housing, building transitional housing required relatively shorter time, the Government should consider acquiring more privately-owned land in the New Territories for the provision of such housing. In the long term, the Administration might use such land for providing permanent developments. The Administration might also consider liaising with land owners who were interested to carry out transitional housing projects with simple design, continue to identify more land resources in urban areas (such as vacant school premises in Kowloon) for the provision of transitional housing, and step up efforts in disseminating information in a more open and transparent manner about the land or premises available for transitional housing development, the NGOs interested in operating transitional housing, and the transitional housing units available for intake of residents.
- 21. The Administration replied that the current-term Government had put in efforts over years in identifying land for the development of transitional housing, and had increased the supply target for such housing to 20 000 as undertaken in the 2021 PA. The Administration would consider setting a higher target in future subject to the availability of land or premises that could be used for providing such housing. The Transport and Housing Bureau had maintained liaison with DEVB and the Education Bureau on the supply of idle government sites in urban areas for transitional housing use, and the Administration had been reviewing the use of some vacant school premises.
- 22. In view that most of the transitional housing units planned to be provided were located in remote locations, members were concerned about the travelling time and expenses incurred by the households to travel between their transitional housing estates and their places of work/schools. They enquired whether the Government would acquire industrial buildings ("IBs") in urban districts for wholesale conversion to transitional housing.
- 23. The Administration replied that as many transitional housing projects would be implemented in the New Territories, it had conducted traffic impact assessments for them. Upon the population intake of large transitional housing estates, the Administration would arrange additional public transport services to cater for the travelling need of the households. As the number of idle government sites/premises suitable for transitional housing was limited in urban areas, it had previously explored some proposals to wholly convert IBs into transitional housing, but considered them not feasible having regard to the adverse impact on the industrial

activities of such IBs. The Administration would follow up with owners who were interested in converting their IBs into transitional housing in future and study the feasibility related to such conversion.

Northern Metropolis

- 24. Members opined that many people rented inadequate housing units partly because they needed to reside near their working places in urban districts. Apart from public housing, the Administration should also provide land for shopping arcades in newly developed areas, such as the Northern Metropolis, in order to tie in with the new population intake and provide more employment opportunities in the nearby areas of the residential areas, and such shopping arcades should be managed by HA. Some members questioned whether it was still suitable for the Administration to adopt the public/private split of 70:30 of new housing supply in the Northern Metropolis in future.
- 25. The Administration replied that the development strategy of the Northern Metropolis would advocate a home-job balance, meaning that adequate employment opportunities would be provided for residents so that they did not need to commute a long way to work in other districts. In planning new public housing estates, in particular those large ones, the Administration/HA would provide shopping arcades and markets where appropriate to cater for the basic needs of the residents of the estates and the nearby areas.

Supply of private housing

- 26. In view that based on the projection as at end-September 2019, the estimated supply of first-hand private residential flats for the coming three to four years was about 93 000 units, which was close to the 10-year private housing supply target of 129 000 units, members expressed concern that the Administration would continue to reserve land for catching up with the private housing supply target, while allowing the projected production of public housing to significantly fall behind the supply target. They suggested that the Administration should consider adjusting the public/private split of new housing supply under LTHS from 70:30 to 80:20 or 90:10.
- 27. The Administration advised that the Government understood the community's keen demand for public housing, and had revised the public/private split of new housing supply under LTHS from 60:40 to 70:30 in 2018. Apart from providing public housing for needy households, maintaining the healthy development of the private residential property market remained one of the policy objectives of the Government. In its

annual update of the LTHS supply target, the Administration would review the public/private split of new housing supply, taking into account relevant factors including the demand for different types of housing and the market situation. The Administration would then derive the 10-year supply targets for public and private housing according to the public/private split adopted.

28. As for private housing, as mentioned in the 2021 PA, the Government would strive to secure approximately 170 ha of land in the coming 10 years, and make available to the market sites for the production of about 100 000 units through land sales and tender exercises for railway property developments. As such supply had not yet taken into account development projects undertaken by URA and other private land development projects, the Government was confident that sufficient land could be secured to meet the private supply target of 129 000 units for the 10-year period from 2022-23 to 2031-32.

Council questions

29. Hon Wilson OR raised a question on issues related to the projection model of LTHS on 3 June 2020. The Council question and the Administration's reply is hyperlinked in **Appendix 3**.

Latest position

30. The Administration will brief members on the LTHS Annual Progress Report 2021 at the Panel meeting on 7 February 2022.

Relevant papers

31. A list of relevant papers is in **Appendix 3**.

Council Business Division 1
Legislative Council Secretariat
31 January 2022

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. <u>CB(1)1705/13-14</u>).

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	Administration's Consultation Document on "Long Term Housing Strategy: Building Consensus, Building Homes" (LC Paper No. CB(1)1756/12-13(01))
		Administration's paper on "Long Term Housing Strategy Consultation Document" (LC Paper No. CB(1)1818/12-13(01))
		Information note on "Long Term Housing Strategy" prepared by the Research Office of the Legislative Council Secretariat (LC Paper No. IN27/12-13)
		Minutes of meeting (LC Paper No. CB(1)1293/13-14)
		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))
		Administration's supplementary information note on "Projection of Long Term Housing Demand" (LC Paper No. CB(1)194/13-14(02))
Subcommittee on the Long Term Housing Strategy	14 March 2014	Administration's paper on "Long Term Housing Strategy Report on Public Consultation" (LC Paper No. CB(1)1053/13-14(01))
		"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))
		Minutes of meeting (LC Paper No. CB(1)1611/13-14)

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)
Panel on Housing	6 January 2020	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2019" (LC Paper No. CB(1)278/19-20(03))
		Minutes of the meeting (LC Paper No. CB(1)906/19-20)
		Administration's supplementary information (LC Paper No. CB(1)860/19-20(01) & LC Paper No. CB(1)902/19-20(01)
Council	3 June 2020	Council question on "Projection model on Long Term Housing Strategy"
Panel on Housing	14 January 2021	Administration's paper on "Long Term Housing Strategy Annual Progress Report 2020" (LC Paper No. CB(1)387/20-21(01))
		Minutes of the meeting (LC Paper No. CB(1)1016/20-21)
		Administration's supplementary information (LC Paper No. CB(1)741/20-21(01))
Panel on Housing	20 October 2021	Briefing by the Secretary for Transport and Housing on the Chief Executive's 2021 Policy Address (LC Paper No. CB(1)1400/20-21(01))
		Minutes of the meeting (LC Paper No. CB(1)1499/20-21)