Tuen Mun District Council Paper No. 38/2013

For Discussion on 5.11.2013

Building Consensus Building Homes

Long Term Housing Strategy Consultation Document

September 2013

Long Term Housing Strategy Steering Committee

Long Term Housing Strategy:

Building Consensus, Building Homes

Consultation Document

Long Term Housing Strategy Steering Committee
September 2013

TABLE OF CONTENTS

ANNEXES

Chairman's Foreword

Long Term Housing Strategy – Providing Adequate Housing for All?

After 11 meetings over the past ten months, the Long Term Housing Strategy Steering Committee (the Steering Committee) has completed this consultation document on the Long Term Housing Strategy (LTHS) for three months' public consultation. A report on the public consultation will be submitted to the Government thereafter. The Government will take into account views expressed in this consultation document as well as those received from the public in formulating the LTHS and relevant policy measures. As such, the Government has not reached any conclusions on the recommendations set out in this document.

The previous LTHS was formulated in 1998, which put forward a blueprint for housing construction and home ownership. However, as a result of the subsequent Asian financial crisis and the rapid macroeconomic changes, major adjustments were made to housing policies.

Today, housing tops the livelihood issues of concern to the general public – the proliferation of subdivided units (SDUs), under-supply of housing, rising property prices and rents beyond the affordability of the general public. Many youngsters are frustrated because of difficulties in achieving home ownership or paying the surging rents. It can be said that the general public's living conditions are not commensurate with the affluence of our society and that the housing problems faced by the grassroots highlight the disparity between the rich and the poor. **The seriousness of our housing problem has resulted in a divided society and aggravated class conflicts. How to address this situation through a new policy approach is the key to the LTHS**.

Hong Kong used to have a housing story that people took pride in. The resettlement housing and low-cost housing of the 1950s and 1960s, and the public housing programme launched in the 1970s had improved the living condition of many grassroots families and released extensive urban land previously occupied by squatters, and helped spur the development of new towns. The programme laid a solid foundation for the social and economic development of Hong Kong, and brought about a virtuous cycle of upward social mobility.

Everyone has a dream. To many Hong Kong people, this is having their own home for their children to grow up happily and healthily. The crux of the current housing problem lies in the imbalance between supply and demand and the limited amount of land available for development. In addition, the persistently high property prices in recent years due to external economic factors and the increasing risk of a property bubble have affected our macroeconomic and financial stability. While the public aspire to improve their living conditions, they also attach increasing importance to environmental conservation; indeed, not everyone accepts the conventional ways of increasing land supply such as reclamation and land resumption, which further complicates the issue of housing supply. The housing problem goes beyond the mere assessment of supply and demand. It encompasses issues of land, planning, transport, environment and community facilities, which cut across the aspirations and interests of different stakeholders. All these require the Government and the community to change their mindset and to map out a new direction.

Resolving the housing problem tops the priorities of the current Government. The Chief Executive, Mr CY Leung, clearly pledged in his election manifesto to "assist grassroots families in securing public housing and the middle-income families in buying their own homes, and promote the healthy and stable development of the property market". In the course of setting a clear vision and a general direction for the long term strategy, we need to adopt an approach that is progressive, well-organized and effective. Specifically, while we seek changes amidst stability, we will endeavour to sort out constraints and to strike a balance among the interests of various stakeholders, without aiming unrealistically for instant results. This consultation document on the LTHS makes no simple promise of a rose garden. Instead, it outlines the crux and complexities of our problem, analyzes the challenges and constraints that confront us and proposes a multi-pronged approach to resolve our problem proactively and in order of priority. It aims to break through the current deadlock and pave the way for a new chapter in housing development in Hong Kong.

Entitled *"Building Consensus, Building Homes"*, this consultation document seeks to bring home **the vision of providing adequate and affordable housing for each and every family in Hong Kong** – public rental housing (PRH) for the grassroots; the Home Ownership Scheme (HOS) and other forms of subsidized housing for the lower to middle-income group and young and first-time home buyers; a stable private property market with priority accorded to meeting the housing needs of Hong Kong people to facilitate those who can afford home ownership. We recognize that home ownership by the general public will contribute towards social stability and harmony, but we do not prescribe any hard targets. In terms of strategy, **the premise is to continuously increase housing supply, stabilize the property market, rebuild the housing ladder, attach importance to the functions of public housing (i.e. PRH and HOS), and promote social mobility**.

To this end, the Steering Committee proposes the Government to strengthen its role in the provision of housing by adopting a **"supply-led" strategy** to address the supply-demand imbalance in a fundamental and long term manner. The current high level of property prices and rents goes beyond the affordability of the grassroots and the lower middle class and generates considerable worries amongst them. The Government inevitably has to strengthen the role of public housing (i.e. PRH and HOS). **We therefore advocate that public housing should account for a higher proportion of the new housing production, and propose the ratio between public housing and private housing to be 60:40 initially**, with necessary adjustments to be made in accordance with changes in the demand structure in future. The ratio between rental housing and subsidized sale units within public housing should also be kept sufficiently flexible. Meanwhile, we need to increase HOS supply considerably beyond what has already been pledged by the Government.

Long term housing demand is inevitably subject to many factors. The Steering Committee therefore considers that a practical approach should be adopted in projecting demand. The projection should not over-estimate or under-estimate the demand in a casual manner, but should be reviewed and adjusted annually in view of the prevailing policies and changes in the economic and property market conditions. At present, **the Steering Committee projects that the total housing supply should range from 440 000 to 500 000 units in the next ten years, and that the mid-point figure of 470 000 units be adopted as the supply target**. Since land supply is limited and it takes time to make new land available, how to achieve the target will be a great challenge for the Government. The Government should seek every opportunity to increase housing supply in the short and medium term, and actively implement large scale projects to develop new areas. In view of the continuing risk of fluctuations in the external economic environment and the impact of economic cycles, any housing policy should remain flexible and responsive enough lest there will be policy lag.

Different groups in the community have their own housing needs. Given the shortage of supply in the short term, priority should be set in addressing their needs. **Which groups have the most pressing needs now? They are the grassroots families and the elderly, especially those who are inadequately housed**. A plan for a sustainable increase in PRH supply should be formulated. In addition to building new housing estates, consideration should also be given to redeveloping aged estates, and ensuring that the use of existing PRH resources and the turnover of PRH flats are managed in an effective manner. At the same time, **we should not overlook the housing aspirations of the younger generation. To give them hope for the future, we must establish an effective housing ladder and increase the production of HOS units to help them achieve home ownership within their affordability**. The Steering Committee is of the view that the average waiting time for PRH targeted at around three years should be maintained and that priority should be accorded to elderly and family applicants. The Quota and Points System should also be improved by progressively reducing the waiting time of the non-elderly singletons above the age of 35. Besides, without affecting the basic community facilities, we should consider the feasibility of identifying suitable sites within the existing public housing estates to build PRH blocks for singletons.

The Steering Committee is particularly concerned about the pressing needs of those inadequately housed households living in SDUs. While it considers increasing PRH production to be the ultimate solution to the problem, it calls on the Government to step up enforcement actions against illegal SDUs which are in breach of building and fire safety regulations. It also proposes to consider putting in place a licensing or registration system to regulate SDUs. As regards the suggestion that transitional housing should be provided on temporarily vacant sites for the inadequately housed households, its feasibility is subject to constraints in terms of planning, infrastructural provisions, and relevant support in transport facilities, and needs to be examined with regard to the actual circumstances of any sites concerned.

The Steering Committee has discussed the suggestions to offer rent allowances to grassroots tenants and to implement rental control (including control on the level of rents) as raised by some concern groups in the community. The Steering Committee, however, is worried that given the inadequate supply in the market, such measures may drive up rents, which will do more harm than good to the tenants. On the other hand, the community is generally concerned about soaring property prices which render home ownership difficult. While the demand-side management measures introduced by the Government (including the Special Stamp Duty, Buyer's Stamp Duty and doubled Ad Valorem Stamp Duty) aim at stabilizing the property market, we must increase supply in order to address the first-time home ownership needs of families and the younger generation. Apart from increasing the production of HOS flats and other forms of subsidized housing, we should also explore innovative means, leveraging on the private sector's capacity and promoting public-private partnership, to build more adequate and affordable housing for the public. The Steering Committee has also considered whether to resume the Home Starter Loan Scheme, but concluded that it is inappropriate under the current tight supply situation lest it push up property prices.

The long term strategy outlined above comprises elements of different priorities. However, none of them could be realized without land. At the end of the day, the construction of private and public housing on a massive scale hinges upon the timely planning and supply of land. The Steering Committee therefore urges the Government to continue the review of various procedures and approval requirements in relation to planning and land administration, with a view to releasing and making the best use of land resources. Development needs and the sustainability of our environment should not be a zero-sum game and we must strike a reasonable balance between them. The Steering Committee appreciates that enhancement in community facilities and public space is vital to improving people's living environment. A balanced and holistic approach should therefore be adopted for the development of new towns in future to provide sufficient industrial, commercial and community facilities, as well as local employment opportunities so as to lessen the burden on cross-district traffic. Furthermore, **in dealing with our housing problem, we should not confine ourselves to addressing the issue of quantity, but should also consider how to progressively improve quality**. In the long run, the average living space per person should be increased, starting perhaps with PRH estates in non-urban districts.

Our housing problem is a pressing one that demands immediate action without further delay. We cannot afford to indulge ourselves any longer in abstract debates that lead us nowhere. What we need urgently is a community consensus on the crux of our problem, and a determination to overcome the various constraints and to set the appropriate priorities to solve our problem progressively. In order to take forward the necessary reforms, the Government must partner with the public and garner the support of the Legislative Council and the District Councils. We need to bear collective responsibility and work hard to build a better future for our younger generation.

In this consultation document, the Steering Committee sets out the general direction and proposes a range of options, with preliminary analysis on the pros and cons of the options to facilitate public deliberation. We call on the public to focus on the key issues and possible options, and share their views with us during the three-month consultation period, to help build consensus on the way forward.

Professor Anthony Cheung Bing-leung
Secretary for Transport and Housing
Chairman, Long Term Housing Strategy Steering Committee

EXECUTIVE SUMMARY



Executive Summary

An Overview of our Housing Problem

Housing tops the list of livelihood issues that are of public concern, and is widely recognized as the foundation for a stable society. The Government formed the Long Term Housing Strategy Steering Committee (the Steering Committee) in September 2012 to make recommendations on Hong Kong's Long Term Housing Strategy (LTHS) for the next ten years.

2. The Steering Committee has reviewed the development of housing policies in Hong Kong in the past, in particular the formulation of the LTHS in 1998 after reunification, the repositioning of housing policy in 2002, and the changes in the housing market in recent years. The Steering Committee considers the current housing problem in Hong Kong to be serious, as indicated by –

(a) Severe supply-demand imbalance for public and private housing : supply has dropped in recent years while vacancy rates remain low. The price and rental indices for private residential properties have reached historical high, whereas the number of applicants for public rental housing (PRH) keeps increasing;

(b) deteriorating affordability : the increase in household income is not commensurate with the surge in property prices. The affordability ratio has deteriorated in line with property prices growing out of reach for ordinary people; and

(c) changing demographics : new household formation and household splitting has become the trend, causing the rate of increase in the number of households to be faster than that of population growth generally. In addition, the population in Hong Kong continues to age. These developments impose continuous pressure on housing demand.

The Vision for Our Long Term Housing Strategy

3. According to the 2013 Policy Address, the Government's housing policy objectives are to: (a) assist grassroots families to secure public housing to meet their basic housing needs; (b) assist the public to choose accommodation according to their affordability and personal circumstances, and encourage those who can afford to do so to buy their own homes; (c) provide subsidized home ownership flats on top of PRH so as to build a progressive housing ladder; and (d) maintain the healthy and steady development of the private property market, with priority to be given to meet Hong Kong permanent residents' needs. Taking into account the housing problems mentioned in paragraph 2 above, the Steering Committee considers that the Government should adjust its housing strategy in order to achieve its policy objectives. The Steering Committee **recommends** that the future LTHS should be built upon the vision of providing adequate and affordable housing to the people of Hong Kong through re-establishing an appropriate housing ladder that facilitates upward mobility. Having regard to the current supply-demand imbalance, the Steering Committee **recommends** the Government to play a more proactive role in providing housing suitable for the average households, and to increase the supply of public housing (comprising PRH and subsidized sale flats). In gist, **the new LTHS should be a supply-led strategy, with public housing accounting for a higher proportion of the new housing production.**

4. The current supply-demand imbalance is a long-standing problem and it will take time to rectify the situation. The Steering Committee therefore considers that the Government should introduce short and medium term measures to align with the aforementioned LTHS, and reaffirms the Government's efforts in this regard (for example, by extending the Home Ownership Scheme (HOS) Secondary Market to White Form Buyers; expediting the construction of PRH units; initiating land sale and abolishing the Application Mechanism; speeding up the processing of pre-sale consent applications etc.).

Projection of Long Term Housing Demand

5. The LTHS is premised on the projection of long term housing demand. To this end, housing demand is defined as the total number of **new** housing units that need to be built for each and every household to be accommodated in adequate housing over the long term.

6. Taking into account all the demand components, including the net increase in the number of households, households that will be displaced by redevelopment, households that are inadequately housed, and other factors (such as non-local students and buyers from outside Hong Kong who may purchase flats and have not channelled them back to the market etc.), the estimated gross total housing demand for the projection period from 2013-14 to 2022-23 would be in the range of 420 150 units to 479 250 units, with the mid-point being 449 700 units. As for the supply side, according to the projection results for total housing demand, and taking into account the vacancy situation of private residential flats, we project that the total housing supply in the next ten years should range from 440 000 units to 500 000 units, and thus **recommend** the mid-point of 470 000 units to be the supply target.

7. Having regard to the supply-led strategy, and with public housing accounting for a higher proportion of the new housing production, the Steering Committee **recommends** adopting the ratio of 60:40 as the public/private split for the housing supply in the next ten years. This ratio should be adjusted flexibly to cater for changes in circumstances, in order to give due consideration to and strike a balance between the two major objectives of increasing the production of public housing to satisfy public demand and stabilizing the private market. The Government should also maintain flexibility in the ratio between PRH and subsidized sale units (e.g. HOS), and maintain the interchangeability of production between PRH and HOS.

8. As ten years is a long period of time, the above projection is premised on a large number of variables which are taken from the objective circumstances and the latest policies and programmes, all of which may change over time. Given that, the Steering Committee **recommends** that the projection should be reviewed on an annual basis to take into account any changes in policy or prevailing circumstances with a view to formulating an appropriate housing supply target.

Housing Needs of Specific Groups in the Community

9. Given limited land and housing resources, priorities must be set to assist those with genuine and the most pressing housing needs.

The Elderly

10. The Hong Kong Housing Authority (HA) provides PRH for the low-income elderly, and addresses their mobility needs by measures such as adopting universal design principles and upgrading older estates. The Steering Committee **recommends** the HA to continue its efforts to provide affordable rental housing with suitable facilities for eligible elderly people, and to continue to refine its PRH allocation policy in accordance with the "ageing in place" principle.

11. As for the middle-income elderly, the Steering Committee considers that the Senior Citizen Residence Scheme (SEN) operated by the Hong Kong Housing Society (HS) can provide the HS and other non-profit making organizations a blueprint for the provision of dedicated housing and facilities for middle-income elderly people. Subject to the availability of land resources, the HS should continue to be supported in introducing similar projects. The HS or the private sector may also operate elderly housing schemes targeting at middle to high-income elderly under a market driven approach. On the other hand, given the competing priorities for land resources, there is a need to strike a balance between giving support to such projects, and the development of PRH units for the lower income groups and HOS flats.

12. In addition, having regard to the ageing population, the Steering Committee would like the Labour and Welfare Bureau and the relevant departments to review the Hong Kong Planning Standards and Guidelines. Furthermore, the co-ordination amongst relevant bureaux and departments should be strengthened in order to enhance the overall community support to the elderly.

Non-elderly Singletons over the Age of 35

13. The non-elderly one-person PRH applicants are placed under the Quota and Points System (QPS), and the three-year average waiting time (AWT) target applicable for general family applicants does not apply to them. The Steering Committee supports the HA's policy to continue giving priority to families and elderly applicants for PRH flats. Nevertheless, having regard to the relatively limited upward mobility for non-elderly one-person applicants over the age of 35, the Steering Committee **recommends** that they should be offered higher priority under the QPS.

14. The Steering Committee **recommends** that the QPS should be enhanced by increasing the annual PRH quota[1] for applicants under the QPS. The Steering Committee also **recommends** allocating extra points to applicants above the age of 45, and progressively to those over 40 and then over 35 with a view to increasing their chance to access to PRH. The Steering Committee also **recommends** that consideration be given to setting out a roadmap to progressively extend the three-year AWT target to non-elderly one-person applicants above the age of 35, and **recommends** the HA to explore the feasibility of building dedicated PRH blocks for singletons at suitable fill-in sites within existing PRH estates (e.g. such as those with relatively lower plot ratio and sufficient infrastructure).

Inadequately Housed Households

15. The Steering Committee considers that priority should be accorded to cater for households which are inadequately housed. Their housing needs have been taken into account in the long term housing demand projection. In addition, the Steering Committee has commissioned Policy 21 Limited to conduct a survey on subdivided units (SDUs)[2]. The Survey estimates that there are about 66 900 SDUs in the territory; 30 600 of which lack at least one of the essential facilities (i.e. kitchen or cooking area/toilet/water). The primary reasons to live in SDUs are convenience for travelling to/from their place of work or study (64%) and lower rental compared to ordinary flats (49%).

16. The Steering Committee appreciates that some households have chosen to live in SDUs for various practical reasons and that some of the households had actually lived in PRH before. As such, SDUs situated in convenient urban locations may continue to exist even if there is an adequate supply of PRH. Nevertheless, the safety conditions of SDUs should under no circumstances be compromised.

---

[1] The quota is currently set at 8% of total PRH units available for allocation to Waiting List applicants, subject to a cap of 2 000.

[2] Report of the SDU survey is available at the Transport and Housing Bureau website at http://www.thb.gov.hk.

17. The Steering Committee notes that the Government has strengthened the inspection and eradication of SDUs in industrial buildings. As for SDUs in domestic and composite buildings, the Government has taken enforcement actions under the Buildings Ordinance (Cap. 123). The Steering Committee urges the Government to further step up its enforcement action. The Steering Committee also considers that the introduction of a licensing or landlord registration system for SDUs in domestic and composite buildings may improve the safety and hygiene conditions of those SDUs in the long run. However, the Steering Committee recognizes that the introduction of such system would take time and its implementation would require additional resources.

18. SDU tenants who are affected by Government enforcement action will be offered temporary accommodation in Po Tin Transit Centre in Tuen Mun. Eligible affected households who have lived in the Transit Centre for three months and passed the "homeless test", as well as fulfilling the eligibility criteria for PRH, can be rehoused to Interim Housing pending PRH allocation. The Steering Committee considers that, subject to the availability of suitable temporary vacant sites in the urban area, the Government should explore the feasibility of building transitional housing on such sites for those in need. However, Members note that even if urban sites which do not have other immediate alternative uses are to be granted under short term tenancy for this purpose, they would still require additional infrastructural works which may not be completed in the short term.

19. Separately, having examined the case in detail, the Development Bureau considers that it would not be practicable to convert industrial buildings into transitional housing. Nevertheless, Steering Committee members agree that the Government should continue with the on-going review of industrial zones for rezoning to other uses with more pressing social demand, including residential use.

Youngsters and First-time Home Buyers

20. The Steering Committee appreciates the housing aspirations of young people. As there are other groups with more pressing housing needs (such as the elderly, the inadequately housed households, and non-elderly single applicants over the age of 35 on the Waiting List (WL)) that should be accorded priority for Government assistance, it

would be difficult to allocate top priority to the demands of youngsters for the time being. Nevertheless, the Steering Committee considers that the Government should instill in the younger generation confidence in the future by demonstrating its determination to gradually resolve the housing problem, and establish an effective housing ladder which promotes upward mobility. Given their prime age and better potential for upward mobility (especially those who have completed their tertiary education), increasing the supply of HOS should be an effective way to address the aspiration of the youngsters.

21. As a matter of fact, 70% to 80% of the first-time home buyers are aged 39 or below. As such, measures which address the home ownership aspirations of first-time home buyers could also help address the aspirations of young people. The Steering Committee **recommends** the Government to actively identify sites for developing more HOS units, on top of the existing production target for new HOS flats that the Government has already pledged, and set aside a certain percentage (say 10% to 20%, or even up to 30%) in each HOS sale for eligible singleton applicants, which may increase their chance to purchase HOS flats.

22. In the recent sale of Greenview Villa by the HS and the HA's Interim Scheme to allow White Form applicants to buy HOS flats without premium paid in the HOS Secondary Market, there are singleton applicants with unduly low income and assets. This suggests that they could hardly afford to purchase a property even on mortgage terms. To support those who can afford to buy their own homes, and to improve the chance of eligible first-time home buyers with genuine housing needs, the Steering Committee **recommends** setting a minimum income/asset level for White Form applicants for future sale of HOS flats and any equivalent subsidized home ownership schemes. This is to avoid the public making home purchase decisions which are beyond their means and to increase the chance of those with sufficient savings and affordability to buy HOS flats.

Other Issues

23. The Steering Committee has considered the following issues, and has made some preliminary analyses and conclusions –

(a) Relaunching the Home Starter Loan Scheme: under the current acute housing supply situation, any such Government loan scheme will only be counter-productive and push up housing prices, and thus should not be relaunched;

(b) relaunching the Tenants Purchase Scheme (TPS): the Government should not relaunch the TPS as selling PRH flats to tenants will inevitably affect the turnover and supply of PRH flats, which will directly affect the HA's ability to maintain the AWT target. The HA has also encountered many problems in managing the PRH flats still remaining in the TPS estates;

(c) providing rental subsidy to those households who have been on the WL for more than three years and have not been allocated a unit: given the tight supply market, this would be counter-productive as it would most likely lead to upward pressure on rental levels and would probably induce more to queue up for PRH; and

(d) introducing rental control measures: rent control mainly focuses on the level of rent when a lease is renewed, and might induce landlords to ask for a higher rent upfront. As for the security of tenure, this would discourage landlords from letting their flats, thus incidentally decreasing the supply of flats and pushing up market rents, and thus rendering the measure counter-productive. Therefore, the downside of implementing rental control would outweigh its benefits.

Measures to Maximize the Rational Use of PRH Resources

24. As PRH is the primary housing solution for the grassroots, PRH flats must be allocated in a fair and rational manner. The increasing number of PRH applications at present has made it increasingly difficult for the HA to maintain the around three-year AWT target. Nevertheless, the Steering Committee **recommends** that the Government should strive to maintain the AWT target despite the possibility of a short term deviation from the target.

25. The Steering Committee observes that, according to a survey conducted by the HA in 2012, among the QPS applicants on the WL who

were aged 35 or below, nearly half had post-secondary or above education attainment. Since those who were students when registered would most likely earn an income exceeding the WL income limit after graduation, and as the limited PRH resources available should be reserved for people with relatively greater need for assistance, the Steering Committee **recommends** the HA to develop a mechanism to review the income and assets of QPS applicants and to conduct regular reviews with a view to removing applicants who are no longer eligible from the WL.

26. The Steering Committee notes the divergent views on the "Well-off Tenants Policies".[3] There are views that the Well-off Tenants Policies are inconsistent with the Government's policy to encourage younger members of the family to look after the elderly, and that it drives PRH tenants to the private housing market. On the other hand, there are views that the Well-off Tenants Policies can lead to better utilization of PRH resources, and therefore should be further tightened up (for instance, by shortening the initial income and asset declaration period and the subsequent income and asset declaration periods; or by requiring tenants to vacate their units if either their income or asset level exceeds the prescribed limits; or by setting an additional criterion on top of the existing income and asset limits criteria, requiring tenants to vacate their units when their income exceeds a certain threshold regardless of their asset level). The majority of Steering Committee Members consider that the Well-off Tenants Policies should be maintained, but **recommend** the HA to further review and update the policies.

27. The Steering Committee considers that the under-occupation policy[4] is important to ensure the rational allocation of PRH resources, and welcomes the HA's recent decision to further enhance the arrangements to resolve under-occupation cases. The Steering Committee **recommends** that in addition to the existing Domestic Removal Allowance, the HA can consider offering rent waiver to under-occupied households as a further incentive to move to smaller flats.

---

[3] According to the HA's Well-off Tenants Policies, PRH tenants with a household income exceeding the prescribed income limits have to pay 1.5 times or double net rent plus rates according to actual circumstances. Those with total household income and net assets value both exceeding the prescribed income and asset limits are required to vacate their PRH flats.

[4] The HA's under-occupation policy requires households with excessive living space to move to another PRH flat of a more appropriate size.

28. The number of overcrowded PRH families in 2001 was 18 000 but has dropped to 3 200 as at March 2013. The Steering Committee appreciates the HA's efforts to improve the living conditions of PRH tenants by providing transfer opportunities to overcrowded households. The Steering Committee considers that while the suggestion to further relax the existing overcrowding standard could enhance the living conditions of existing PRH households, it would consume already limited PRH resources at the expense of the applicants on the WL. The Steering Committee **recommends** that the HA should be cautious in striking a balance.

29. The Steering Committee also supports the efforts of the HA to deter PRH tenancy abuse, and **recommends** the HA to allocate additional resources to detect and tackle abuses.

Various Housing Delivery Agents

The Private Sector

30. The private sector is a major provider of housing in Hong Kong, and has in the past contributed to the provision of subsidized housing for sale through the Private Sector Participation Scheme and the Mixed Development Pilot Scheme. The Steering Committee considers that the case for more participation from the private sector should be revisited, and encourages the Government to adopt new thinking in exploring ways to leverage on the private sector's capacity in order to speed up housing supply.

Hong Kong Housing Authority

31. The HA is tasked to provide affordable housing to meet the needs of households that cannot afford private rental housing. The HA also provides subsidized sale flats. The HA currently manages 162 PRH estates. As at end of March 2013, about 710 200 households (over two million people) lived in the HA's PRH flats (including Interim Housing), and about 352 000 households (over 1.11 million people) lived in subsidized sale flats. The Steering Committee recognizes the efforts made by the HA, and considers that it should continue to be the primary provider of affordable housing to the public.

Hong Kong Housing Society

32. The mission of the HS is to serve the needs of the Hong Kong community in housing and related services. Since its establishment, the HS has been involved in various housing initiatives, including the provision of public rental units and the development of subsidized sale projects. It has also taken on the role of "housing laboratory", trying out innovative housing schemes, including housing schemes tailored for the elderly. The Steering Committee considers that the HS should continue to work closely with the Government and to play an active role in the provision of rental units and subsidized sale flats, and also **recommends** that the Government should continue to grant suitable sites to the HS for its housing projects should land resources permit.

Urban Renewal Authority

33. The Urban Renewal Authority (URA) is responsible for undertaking, encouraging, promoting and facilitating the regeneration of the older urban areas of Hong Kong. In order to support the Government's policy objective of enhancing flat supply, the URA has, since 2009, made it a requirement in its joint venture tenders for half of the flats of the tender sites to be of small and medium size as far as practicable. The URA has so far undertaken to develop two projects itself without taking on joint venture partners, with "no frills" design to address the public needs for small and medium-sized flats. The Steering Committee **recommends** that the URA can be invited to explore enhancing its role in the provision of housing suitable for low to middle-income households by increasing the proportion of small and medium-sized flats in its future projects.

Facilitation of Housing Development

34. The Steering Committee notes that the Government has been working on various fronts to speed up the housing supply process. Among other things, the Steering Committee on Land Supply, led by the Financial Secretary, has been coordinating overall plans for development and supply of land for various uses, including housing. The Planning Department (PlanD) has promulgated a Practice Note to facilitate the trade to make enquiries in respect of their development applications with a view to shortening its processing time. The Buildings Department

has also issued guidelines to authorized persons for reference with a view to facilitating early planning approval and reducing processing time. In the meantime, the Lands Department is reviewing the procedures related to land grant and premium assessment. The PlanD and other departments are also reviewing the potential of increasing the development density of residential sites as far as allowable in terms of planning.

35. As for the workflow for construction of public housing, the Government and the HA adopt a pragmatic approach to expedite the construction of public housing as far as practicable. Works at the planning and design stage, which would normally require three years to complete in the past, are compressed by the HA to one year wherever possible. As a result, the HA has reduced the total production time, which generally took seven years in the past, to about five years where possible. Since the time saved has been achieved mainly from shortening preparatory processes rather than compression of the construction programme, the quality of work could be maintained and site safety would not be compromised. Having said that, the key to prompt delivery of public housing hinges on whether the preparation works could be shortened, and whether projects are supported by the District Councils and the local community.

36. The Steering Committee **recommends** the Government to continue streamlining the housing supply process. The Steering Committee also **recommends** the Government to monitor the manpower situation in the construction industry and implement appropriate measures in collaboration with the Construction Industry Council in a timely manner to ensure the delivery capacity of the construction industry for housing development.

Measures to Increase Housing Supply

37. The crux of our housing problem lies with supply-demand imbalance. To achieve the long term goal of affordable housing, it is necessary to increase housing land supply. Nevertheless, the conventional means to increase housing land supply, such as reclamation, has become increasingly controversial. There have also been increasing concerns on development density and conservation issues amongst the general public. The Steering Committee appreciates these

community concerns, but at the same time is well aware of the pressing and serious land supply problems facing Hong Kong. While the Government has secured sufficient land to address the public and private housing demand in the next three to four years, it still has to face huge challenges in the medium and long term to meet the housing supply target recommended by the Steering Committee. In fact, if the community cannot reach consensus on how to increase land supply, the long term housing supply in Hong Kong beyond the next ten years will be at risk. The Steering Committee considers that, in order to address the root of our housing problem, the community as a whole will have to make some difficult choices and may need to accept trade-offs in order to increase housing land supply in the short, medium and long term through a multi-pronged approach. The Steering Committee also urges the Government to continue to review the procedures and approval requirements in relation to planning and land administration, in order to tie in with the general direction of increasing land and housing supply.

38. The Steering Committee notes that the Government has implemented a series of measures to increase housing and land supply, for instance the general review of plot ratio and building height restrictions, the study to relax or lift the administrative moratorium currently in force which restricts development in Pok Fu Lam and the Mid-levels, the review of sites zoned "Government, Institution or Community", the redevelopment of aged PRH estates, reclamation outside the Victoria Harbour and rock caverns development, proceeding with the North East New Territories and Hung Shui Kiu New Development Areas, developing the New Territories North, reviewing the deserted agricultural land in North District and Yuen Long, and the Tung Chung new town extension and developing Lantau Island, etc.

Beyond the Next Ten Years

39. Housing development requires continuous effort across generations. While the LTHS focuses on improving policies to deal with the housing needs in the next ten years, it is necessary for the community to give further thoughts to Hong Kong's future development mode beyond the next ten years.

40. In order to fulfill our long term housing demand, it is estimated that Hong Kong will need to build the equivalent of one new town per

decade, or three new towns roughly the size of Sha Tin within 30 years. Bearing in mind past experience in which problems arose in some of the new town development because too much emphasis had been placed on residential development, the Steering Committee **recommends** that new towns in future should generally be developed as self-sustained communities and in an integrated manner to enable the local community to flourish. It also considers that the Government may in the long term consider relocating some non-residential utilities away from the urban area in order to reap the development potential of the corresponding urban areas for housing development.

41. There have been calls from the community for a more spacious living environment in future. The Steering Committee considers that all sectors of the community should reach a consensus on increasing land supply to realize this aspiration. Besides, while the Government should explore how new towns should be developed in a holistic manner, members of the community should be prepared to accept that in order to enjoy more spacious living environment, they may need to move away from the conventional urban districts. As far as public housing is concerned, the Steering Committee **recommends** that, subject to the provision of more land for PRH developments in future, the HA can consider relaxing its allocation standard for PRH progressively, starting perhaps with estates in non-urban districts.

42. The Steering Committee considers that, having regard to the limitation of land and other resources, the Government should accord priority to assist groups with the most pressing housing needs, and that the public should accept trade-offs in order to resolve the housing problem. As the various housing problems in Hong Kong are long-standing, it will take time to rectify and resolve them. It will also require community consensus. The Steering Committee calls on the community to build consensus, consider the issues raised in the consultation document critically, and express their views actively.

43. Please send us your views and comments by email, post or facsimile on or before 2 December 2013 to –

By email :	lths@thb.gov.hk
By post :	Secretariat, Long Term Housing Strategy Steering Committee 1/F, Block 2 Housing Authority Headquarters 33 Fat Kwong Street Ho Man Tin Kowloon Hong Kong
By facsimile :	2761 5160

1 BACKROUND

Chapter 1

BACKGROUND

1.1 Housing tops the list of livelihood issues that are of public concern, and is widely accepted as the foundation for a stable society. As clearly stated in the Chief Executive's 2013 Policy Address, the top priority of the current-term Government is to tackle the housing problem.

1.2 The Chief Executive has pledged in his election manifesto to formulate a long term housing strategy as an integral part of the work to address Hong Kong's housing problem. To this end, a Long Term Housing Strategy Steering Committee (the Steering Committee) chaired by the Secretary for Transport and Housing with membership drawn from relevant sectors was formed in September 2012 to –

(a) review, ascertain and define the changing housing needs and priorities of the community, including those in specific groups such as young people, the elderly, inadequately housed households and first-time home buyers, and recommend measures to address these housing needs;

(b) review the forecast of housing demands for both public and private sectors; and

(c) having regard to the overall supply of land for housing, advise on the current planning and land use, as well as public and private housing policies and practices, and to recommend changes, where appropriate, to ensure that the policies and practices contribute efficiently and effectively to the policy objectives and priorities of the Chief Executive.

The Steering Committee is underpinned by an inter-departmental Working Group chaired by the Permanent Secretary for Transport and Housing (Housing). The membership lists of the Steering Committee and the Working Group are set out at **Annex A** and **Annex B** respectively.

1.3 The Steering Committee's mandate is to focus on long term, strategic issues with a planning horizon of ten years. Its task is to come up with a workable strategy that will lay the foundation for the steady development of the Government's housing policy in Hong Kong. To this end, the Steering Committee has examined a wide range of issues on housing demand and supply. As for those pressing problems, the Government should take immediate action to tackle them.

1.4 The Steering Committee met 11 times from October 2012 to August 2013. In the course of its deliberations, the Steering Committee commissioned the Hong Kong Polytechnic University to conduct a Focus Group Study to collect qualitative information and views from various groups in the community on the following key topics : (a) existing housing situation and housing needs of the participants; (b) the priority that should be accorded to the different groups in the community in view of limited housing resources; (c) acceptable social costs that the community would tolerate; and (d) appropriate level of Government involvement in the provision of housing. The Steering Committee has taken into account views collected in the Focus Group Study in evaluating possible policy options to address the housing needs of the community. The report of the Focus Group Study is available at the Transport and Housing Bureau website at http://www.thb.gov.hk.

1.5 The Steering Committee also commissioned Policy 21 Limited, an independent research institution, to conduct a survey on subdivided units (SDUs) during the three-month period from 31 January 2013 to 30 April 2013. The objective of the survey was to estimate the number of SDUs in the territory and to gather information on the profile of tenants living therein with a view to providing the Steering Committee with objective information to facilitate its assessment on the long term housing demand of Hong Kong. The report of the "Survey on Subdivided Units in Hong Kong" is available at the Transport and Housing Bureau website at http://www.thb.gov.hk.

1.6 This document sets out the review findings and recommendations of the Steering Committee for public to consider and comment upon. The Steering Committee will submit a report on the public consultation to the Government after the conclusion of the public consultation exercise. The Government will take full account of the views received from the public and will strike a reasonable balance among various needs and trade-offs in formulating the long term housing strategy.

2 AN OVERVIEW OF OUR HOUSING PROBLEM

Chapter 2

AN OVERVIEW OF OUR HOUSING PROBLEM

2.1 This Chapter reviews the development of Hong Kong's housing policy and gives an overview of the present housing situation.

Hong Kong's Success Story in "Housing Millions"

2.2 The development of a sustained public housing programme over some 60 years is recognized to have been a major achievement by the people of Hong Kong. From the resettlement housing of the 1950s and the low cost housing estates; the public rental housing (PRH) programme and the Home Ownership Scheme (HOS) of the 1970s; to the first Long Term Housing Strategy (LTHS) promulgated in 1987 and the subsequent review conducted in 1994, public housing development in Hong Kong had evolved over the years. In particular, PRH had assumed an important role in addressing the basic housing needs of the grassroots. On the other hand, the HOS provided subsidized home ownership for those who were unable to afford home ownership in the private market. It also provided an avenue for better-off PRH tenants to move up the housing ladder, thereby facilitating their upward social mobility and enabling the reallocation of PRH resources to those most in need. The large scale development of public housing (including both PRH and HOS estates), together with the provision of the necessary supporting commercial, community and infrastructural facilities, helped drive the development of new towns throughout the 1980s, with Sha Tin and Tuen Mun being two notable examples.

2.3 By the 1990s, Hong Kong's public housing programme was widely acclaimed as a success that helped transform society and enlarge its middle class. By the end of 1997, about 865 800 households, or 45% of all households in Hong Kong, were living in PRH and subsidized sale flats. Home ownership rate had increased dramatically, from about 18% in 1971 to about 52% in 1997. At the same time, the boom in the private housing market also contributed significantly towards wealth creation. On the other hand, however, there was mounting concern about property speculation within the community as prices reached record levels.

Post-reunification Long Term Housing Strategy and the Subsequent Adjustments in Housing Policy

2.4 Following a public consultation exercise carried out in 1997, after the reunification, the new Special Administrative Region Government formulated a new LTHS in 1998. Riding on the successful foundation laid in previous decades, the 1998 LTHS sought to lay out a blueprint for the 21st century with three objectives : (a) to build not less than 85 000 flats a year (50 000 public housing units plus 35 000 private housing units) starting from 1999-2000 as a long term target to meet the future needs of the community; (b) to achieve a home ownership rate of 70% by 2007; and (c) to reduce the average waiting time (AWT) for PRH from the then six and a half years to three years by 2005. In addition to measures to increase land supply and to expedite housing production, initiatives such as the Tenants Purchase Scheme (TPS) and the Home Starter Loan Scheme (HSLS) were introduced shortly thereafter with a view to attaining a home ownership rate of 70% in ten years' time.

Tenants Purchase Scheme

The TPS was launched in 1998 to enable sitting PRH tenants to buy their units at a significant discount to market prices. List prices of TPS flats are set by reference to the Adjusted Replacement Cost, under which the price of a flat is based on the current cost of replacing it, with adjustment to reflect age, location and other relevant factors. On this basis, special credit (i.e. a further discount from the list price) is offered for purchase within the first two years after the tenants have moved into a TPS flat. Full special credit is offered for the first year of tenancy while special half credit is offered for the second year. Typically, special credit for TPS flats range from 30% to 60%. 39 PRH estates had been designated as TPS estates by 2006 when the Scheme was halted.

Home Starter Loan Scheme

The HSLS was launched in 1998 to assist first-time home buyers to acquire their own homes. A low interest loan of up to $600,000 was offered to eligible households ($300,000 for eligible singletons). Loans of over $14.8 billion had been granted to over 33 000 families and individuals by the Scheme's cessation in 2002.

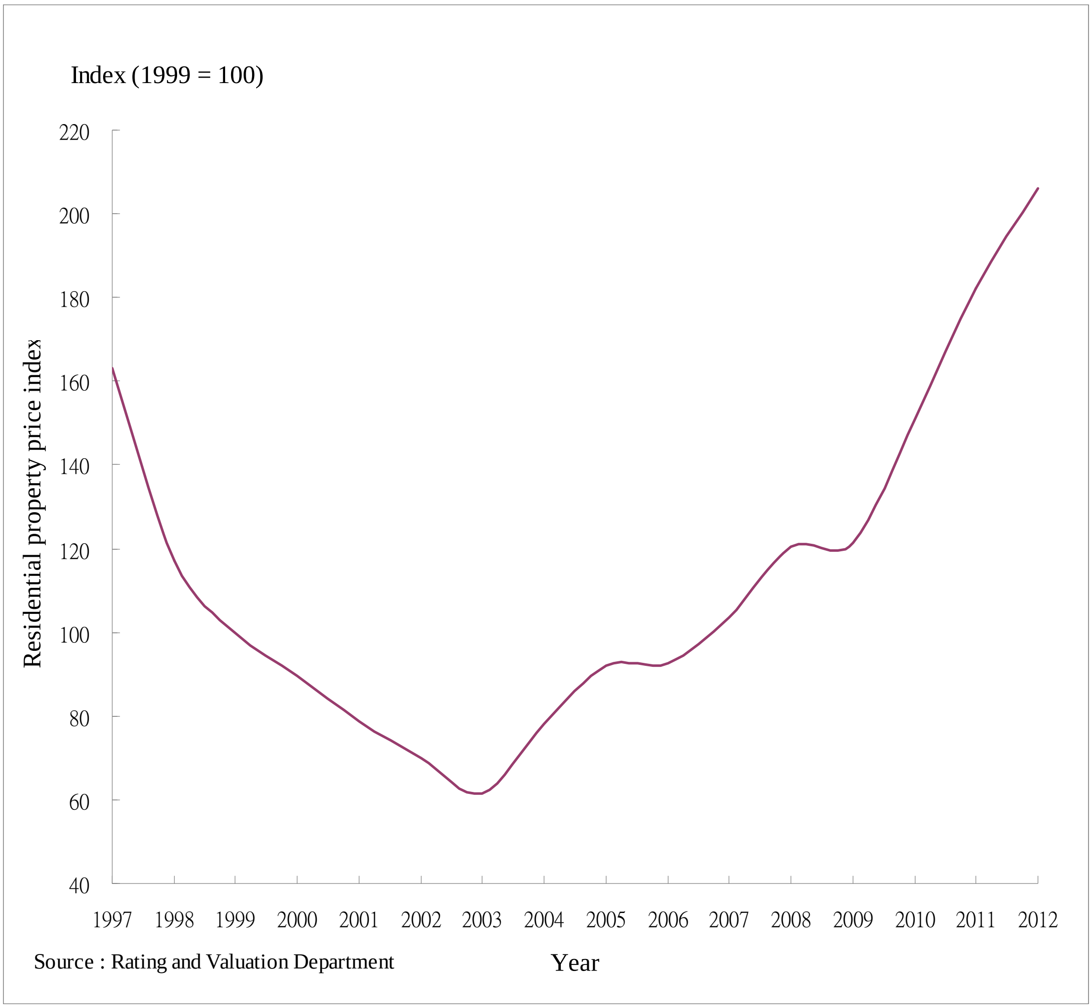
2.5 Unfortunately, as a result of the 1997-98 Asian financial crisis, property prices fell dramatically by some 45% in the space of some 12 months from October 1997 to October 1998. Dampened by the negative wealth effect and the subsequent fall-off in aggregate demand, private consumption dropped significantly, the economic performance remained sluggish, and deflationary pressure increased throughout 1998 to 2003. This in turn led to further fall in flat prices and the proliferation of negative equity.

2.6 The Government's reaction was to reposition its housing policy in 2002 in recognition of the persistence of the abruptly changed macroeconomic environment. While maintaining that the overarching objective of providing PRH for families in need should continue, the production and sale of HOS flats ceased from 2003 onwards. The sale of TPS flats was also halted. On the other hand, as a result of the earlier increase in PRH production, the three-year AWT target for PRH was achieved in 2002, three years ahead of the original schedule.

2.7 The repositioned housing strategy in 2002 was to focus resources on providing PRH to low-income people who could not afford private rental accommodation, and to withdraw as far as possible from other housing assistance programmes to minimize intervention in the market. The Government aimed to maintain a fair and stable environment to enable a healthy and sustainable development of the private property market and to ensure an adequate supply of land together with the necessary supporting infrastructure to meet market demand. As regards the quantum of private housing production, the Government considered that this should be a matter for the market to decide. All scheduled land auctions were stopped and the supply of new land for housing would only be released through the Application List.

2.8 In 2003, the residential property market was again hard hit by the outbreak of the Severe Acute Respiratory Syndrome (SARS). Compared with the peak in 1997, property prices in the trough of 2003 plummeted by 66% (see Chart 2.1).

Chart 2.1 Residential property price index, 1997 to 2012



2.9 Hong Kong's economy (and property market) began to recover from 2004, with the momentum of the recovery picking up quickly from 2005 onwards. Between the trough in 2003 and the peak in 2008, residential property prices recorded a cumulative increase of 117%. Given the relatively benign market environment, the Hong Kong Housing Authority (HA) started to sell the remaining stock of surplus HOS flats by batches from 2007.

Recent Growing Housing Shortage and Price Escalation

2.10 In the aftermath of the 2008 global financial tsunami, governments and central banks around the world, including in the United States and other major economies, pursued aggressive quantitative easing and other stimulus packages in a bid to overcome the impact of the financial crisis and reinvigorate their economies. The resulting abundant liquidity and low interest rate environment had fuelled the demand for residential properties among both end-users and investors. The residential property market had since been on an almost uninterrupted upward trend (see Chart 2.1), soaring by 117% between December 2008 and December 2012.

2.11 Speculative activities were so rampant that the Government saw a need to introduce special measures to combat short term reselling and confirmor sales, which led to the imposition of the Special Stamp Duty (SSD) in November 2010. Meanwhile, in response to growing public demand for home ownership, the Government announced the launch of a new form of assisted housing scheme, the My Home Purchase Plan (MHPP), in October 2010. This took the form of rent-or-buy option to allow participants time to build up their capital to facilitate their ultimate purchase of an MHPP or private sector flat.[1]

2.12 The Government also set out some soft housing targets : to produce about 75 000 PRH units for a rolling period of five years (an average of about 15 000 per year); 17 000 new HOS flats for the four-year period from 2016-17 and thereafter 5 000 units per year subject to land availability; and to supply land capable of providing approximately 20 000 private residential flats each year on average. Apart from land sales through the Application Mechanism, the Government resumed an active role over the supply of new land for private housing in 2010 with the reintroduction of the Government-initiated Sale Mechanism. A Steering Committee on Housing Land Supply[2] was formed under the chairmanship of the Financial Secretary to oversee housing land supply strategies and measures.

---

[1] The current term Government reviewed the MHPP in August 2013 in light of the prevailing condition then and considered that the MHPP might not be the best solution to the pressing home ownership aspiration of the public. The Government therefore decided to change the disposal of the first MHPP project from letting to sale and announced in the 2013 Policy Address not to roll out further MHPP projects.

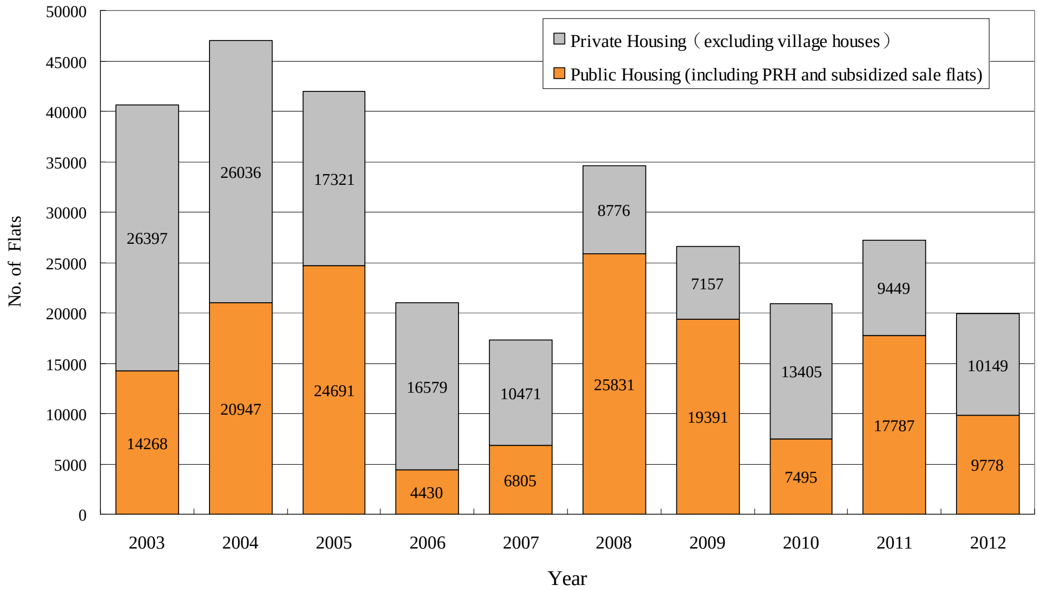
[2] Reconstituted as the Steering Committee on Land Supply pursuant to the announcement made by the Chief Executive in the 2013 Policy Address.

2.13 By the time the current-term Government took office in July 2012, Hong Kong was confronted by an acute housing problem characterized by –

(a) **Severe supply-demand imbalance for both public and private housing** – both the public and the private sectors faced the problem of decreasing supply (see Chart 2.2), leading to higher prices, deteriorating living condition and surging demand for PRH. In particular, according to the Rating and Valuation Department, private domestic housing stock as at June 2012 amounted to 1 112 000 units, of which some 44 000 units were vacant. This was equivalent to a vacancy rate of merely 4%. The private domestic property price index and the private domestic rental index as at June 2012 stood at the then historical high of 205.1 and 142.4 respectively.

On the public housing front, according to the HA, there were 9 046 lettable vacant PRH units as at end June 2012. As compared to the total lettable units of 722 269 then (comprising the rented units, units which were under offer, as well as lettable vacant units), the vacancy rate was 1.3%. As regards the rental units under the Hong Kong Housing Society (HS), a total of 454 units were vacant as at end June 2012, accounting for 1.4% of the HS's total stock of 33 131 units. Meanwhile, PRH applications continued to increase. As at end June 2012, the number of general applicants for PRH on the Waiting List and the number of non-elderly one-person applicants under the Quota and Points System were 106 100 and 93 500 respectively;

Chart 2.2 Number of residential units completed for the past ten years

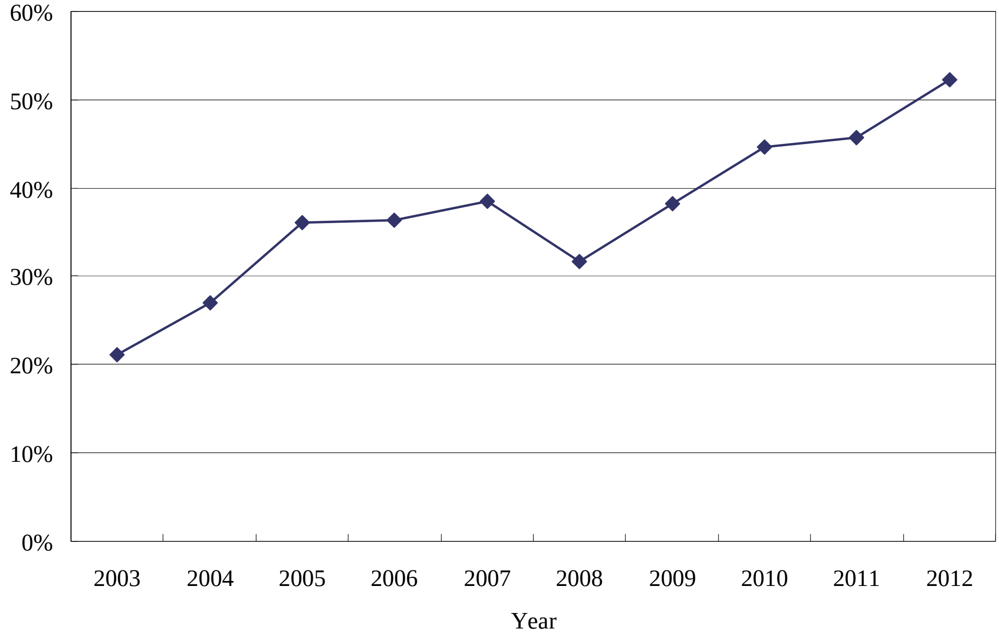


Source: HA, HS and Rating and Valuation Department

(b) **deteriorating affordability** – apart from the severe shortage in housing supply, the surge in property prices was to a certain extent fuelled by the global abundant liquidity with low interest rates, a factor beyond the control of the Government. Since the increase in household income was not commensurate with the surge in property prices, affordability ratio[3] deteriorated from 31.7% at the trough in the fourth quarter of 2008 (see Chart 2.3) to 46.9% in the second quarter of 2012. Flat prices exceeded the affordability of the public and also drove up rents in the private housing market, thus increasing the burden upon the general public and generating discontent; and

[3] The ratio of mortgage payment for a 45 square metre flat to median income of households (excluding those living in public housing), for a tenure of 20 years at the prevailing mortgage rate, with down payment being 30% of the purchase price of the flat.

Chart 2.3 Affordability ratio (%) for the past ten years



Note: The figures are as at the fourth quarter of the year. If the affordability ratio (i.e. the ratio of mortgage payment to income) rises, it means affordability deteriorates; if the affordability ratio falls, it means affordability improves.

Source: Rating and Valuation Department

(c) **changing demographics** – the number of households in Hong Kong has persistently been growing at a much faster rate than population (see Table 2.1), reflecting the trend of new household formation and household splitting which is expected to continue. Meanwhile, the population has continued to age. The percentage of local households with elderly members only (i.e. aged 60 or above) increased from 8% in 1996 to 13% during the Population Census in 2011. These two trends are adding sustained pressure on housing demand.

Table 2.1 Average annual growth rate of population and household, 1996 to 2011

	Total		Average annual growth rate over the past five years	
	Population (Mid-year population estimate)	**Household** (From the population census/by-census)	**Population**	**Household**
2001	6 714 300	2 053 400	**0.9%**	**2.0%**
2006	6 857 100	2 226 500	**0.4%**	**1.5%**
2011	7 071 600	2 368 800	**0.6%**	**1.2%**

Note 1: Relevant figures are mainly from the population census and the population by-census. Population census is conducted every ten years whereas population by-census is conducted every five years.

Note 2: The population estimate and household number in 1996 were 6 435 500 and 1 855 600 respectively.

Source: Census and Statistics Department

2.14 The above trends continued over the past year. To address these problems, the current-term Government has been implementing various short to medium term measures to increase housing land supply. Beyond this, two rounds of demand-side management measures were introduced in October 2012 and February 2013 respectively, i.e. the enhancement to the SSD, the introduction of the Buyer's Stamp Duty, and doubling the Ad Valorem Stamp Duty with a view to curbing speculation and preventing irrational exuberance in the residential property market.

2.15 The Steering Committee considers that due regard must be given to the above factors in developing the new LTHS in order to properly address the persistent increase in demand arising from changing demographics and the deterioration in affordability, the ultimate aim being to achieve a balance in supply and demand. The Steering Committee also considers that the Government should learn from the past, pay attention to the potential policy lag, monitor the implementation of policies closely and make timely adjustments where necessary in light of the prevailing circumstances.

3 THE VISION FOR OUR LONG TERM HOUSING STRATEGY

Chapter 3

THE VISION FOR OUR LONG TERM HOUSING STRATEGY

Housing Policy Objectives

3.1 The Government's housing policy objectives, as articulated in the Chief Executive's 2013 Policy Address, are to –

(a) assist grassroots families to secure public housing to meet their basic housing needs;

(b) assist the public to choose accommodation according to their affordability and personal circumstances, and encourage those who can afford it to buy their own homes;

(c) provide subsidized home ownership flats on top of public rental housing (PRH) so as to build a progressive housing ladder; and

(d) maintain the healthy and steady development of the private property market, with priority to be given to meet Hong Kong permanent residents' needs.

3.2 The above policy objectives clearly indicate strong commitment to accord priority to the basic housing needs of those most in need and to encourage home ownership for those who can afford it, which is conducive to social stability. The Steering Committee supports the above policy objectives, which, together with the right strategy, will form the basis for long term housing development.

The Long Term Housing Vision

3.3 The Steering Committee has reviewed Hong Kong's housing development and current situation as set out in Chapter 2, and has come to the view that the Government should adjust its previous housing strategy in order to achieve its policy objectives. Specifically –

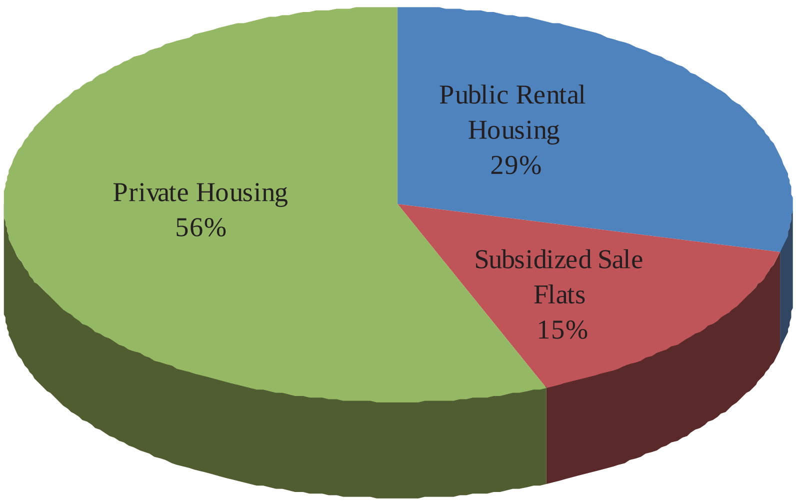
(a) the root of the supply-demand imbalance which we now face can clearly be traced to the repositioning of the Government's housing policy in 2002 in the aftermath of the economic recession. While the move to radically reduce its share in the overall housing production was a timely and necessary response to the problems arising from the then property market situation and the sluggish economy, the Government must now **reverse the policy and adopt a more proactive approach in order to meet the public's long term housing demand**;

(b) in view of the current high level of private residential property prices and rental costs, the general public is finding housing prices increasingly unaffordable. Only if property prices are to fall significantly will the situation improve. Such a change in situation, however, will have serious implications for the economy at large, considering the fact that more than half of the households in Hong Kong are currently owners of their homes. This suggests that **the Government should step in to provide housing suitable for the average households** in order to strike a better balance; and

(c) over the decades, the supply of public housing (comprising PRH and subsidized sale flats produced by the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS)) has grown from about 326 000 in 1973 when the HA was established to about

1 157 700[1] by end March 2013, but this only constituted 44%[2] of all units within our total housing stock (see Chart 3.1). Meanwhile, about 1 091 200[3] households were living in public housing units, accounting for less than half (46%) of all households in Hong Kong. **Given the current supply-demand imbalance and the persistent decline in affordability, there is a strong case for the Government to increase the supply of public housing (including both PRH and subsidized sale flats)**.

Chart 3.1 Hong Kong's housing stock as at March 2013



Source: HA, HS and Census and Statistics Department

---

1 According to the administrative records of the HA and the HS.
2 Statistics on public housing stock are based on the administrative records of the HA and the HS, while those on private housing stock are from the Census & Statistics Department (C&SD).
3 According to the General Household Survey of the C&SD.

3.4 Taking the above considerations into account, the Steering Committee **recommends that the long term housing strategy (LTHS) for the coming ten years should be built upon the vision of providing adequate and affordable housing to the people of Hong Kong through re-establishing a housing ladder that facilitates upward mobility**.

3.5 The Steering Committee further **recommends that there should be an increase in the overall supply of new housing units, and that public housing (comprising PRH and subsidized sale flats) should take precedence given the need to address the imminent housing needs of low to middle-income families**. Specifically, the Government should aim at producing a higher proportion of public housing (comprising PRH and subsidized sale units) among the total production of **new** public and private housing over the next ten years. By doing so, the proportion of public housing among the total housing stock will gradually increase over time, making affordable housing more readily available to the general public. The target ratio of future public and private production should be determined by making reference to a detailed projection of housing demand, which should be reviewed regularly (please also see Chapter 4).

3.6 In gist, the new LTHS should be a **supply-led** strategy, with **public housing accounting for a higher proportion of the new housing production**.

3.7 Meanwhile, the Government should maintain the healthy and steady development of the private property market, with priority given to meeting Hong Kong permanent residents' needs under the tight supply situation, in order to assist the public to choose suitable accommodation according to their affordability.

3.8 Furthermore, the Steering Committee notes that the current situation in the housing market is the results of problems built up over many years. As such, it is impossible to resolve the deep-rooted supply-demand imbalance overnight. The ultimate aim must be to move from short term crisis management to the development of stable and long term policies which can resolve the problems we face in a proactive and pragmatic manner. There is no easy way to overcome the challenges : our housing problem has far reaching implications on many fronts, including land development and land use, town planning and urban renewal, population and living density, livelihood, environmental protection, ancillary facilities, etc. Having regard to the need to balance the various policy principles, **the community as a whole has to make tough decisions and should be prepared to accept trade-offs under various constraints in order to address our housing problem**. The Steering Committee calls on the community to thoroughly consider and debate the issues raised in this consultation document with a view to building consensus on the way forward.

Question 1

What are your views on the proposal to adopt a supply-led strategy for the LTHS and with public housing (comprising PRH and subsidized sale units) accounting for a higher proportion of the new housing production?

Efforts of the Government in the Short and Medium Term

3.9 The current problem of supply-demand imbalance is a long standing one. The Steering Committee is aware that it is impossible to rectify the situation within a short period of time, taking into account the lead time required for both increasing the supply of land with the necessary infrastructure and the actual housing construction. Despite these challenges, the Chief Executive has made a very clear commitment to (a) increase the supply of PRH with a production target of at least 100 000 units in total for the five years starting from 2018; (b) provide 17 000 HOS flats over four years starting from 2016-17 onwards and thereafter an annual average of 5 000 HOS flats; and (c) increase the supply of housing land in the short, medium and long term through a multi-pronged approach. The Steering Committee reaffirms this move, which underlines the determination of the current-term Government to resolve Hong Kong's housing problem.

3.10 Meanwhile, the Steering Committee considers that the Government should introduce short and medium term measures that are commensurate with the new LTHS as mentioned in paragraph 3.6; and supports the proactive approach adopted by the current-term Government since July 2012 to ease the current supply-demand tensions. For ease of reference, the latest progress of the major short to medium measures introduced by the Government is set out at **Annex C**.

Realizing the Long Term Vision

3.11 To realize the vision of providing adequate housing, the Steering Committee considers that the LTHS should encompass the following key elements –

(a) a robust projection of long term housing demand that takes into account demographic changes and economic conditions, and will be reviewed regularly to reflect the latest changes in socio-economic circumstances;

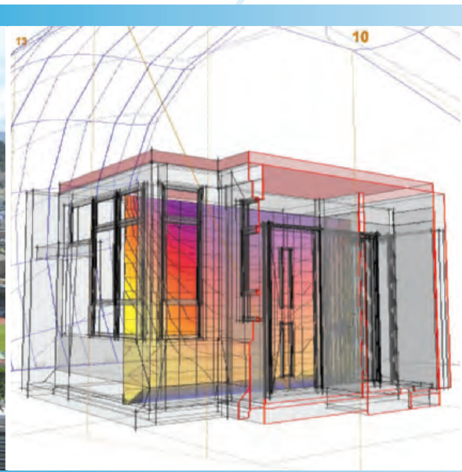
(b) initiatives to meet the housing needs of priority groups in the community;

(c) measures to maximize the rational use of PRH resources to ensure that scarce public resources are allocated to those who are genuinely in need; and

(d) consideration as to what further various housing delivery agents (including the HA, the HS, the Urban Renewal Authority and the private sector) can do to help provide adequate housing to the people of Hong Kong, and whether the approval processes and procedures required during the housing development process can be further improved.

3.12 The Steering Committee's consideration and recommendations on the above issues are set out in the ensuing chapters.

4 PROJECTION OF LONG TERM HOUSING DEMAND



Chapter 4

PROJECTION OF LONG TERM HOUSING DEMAND

4.1 In order to formulate the Long Term Housing Strategy (LTHS), the Steering Committee has reviewed the projection of long term housing demand. This chapter introduces the principles, methodology and results of the projection of long term housing demand for the ten-year period from 2013-14 to 2022-23.

Principles of the Projection

4.2 In developing the methodology for projecting the long term housing demand, the Steering Committee has been mindful not to over-estimate the projected housing demand, which may lead to over production. A significant supply glut could have huge negative ramifications on the housing market as witnessed in the aftermath of the Asian financial crisis in 1997. Equally, the Steering Committee is mindful that an under-estimation of demand could lead to insufficient supply in the private residential market, which would result in rises in flat prices, making flats unaffordable to prospective home buyers. In short, a supply-demand imbalance in the property sector could result in significant fluctuations in property prices and rents, and have serious repercussions on the wider economy.

4.3 Ensuring the stable and healthy development of the property market is vital to the economic and social stability of Hong Kong. Our aim is to formulate a methodology that can objectively assess the long term housing demand. The projection results detailed in this chapter represent the best estimate based on the latest available data and under a framework which is robust.

4.4 It is important to recognize that as ten years is a long period of time, the projection is necessarily premised on a large number of variables, which are taken from objective circumstances and the latest policies and programmes that may change over time. Hence, the projection has its limitations and may vary under different economic and property market circumstances in particular.

Therefore, **the Steering Committee recommends that instead of a fixed target, a range of projections should be produced to reflect possible housing demand scenarios under different economic and property market situations**. Besides, if there are any changes in the basic housing policies, they would also likely affect household formation. For example, the housing demand projection would have to be updated if there are changes to the policies on the average waiting time target for public rental housing (PRH) or the Quota and Points System. In order to capture factors which may change over time in a timely manner, the Steering Committee further **recommends that the projection methodology and the projection results should be reviewed on an annual basis to take into account any changes in policy and/or prevailing circumstances**.

Projection Methodology

4.5 In order to project long term housing demand, it is necessary to first define clearly what should be the factors to be included in the calculation. The Steering Committee considers that every household in Hong Kong should be adequately housed[1], irrespective of whether they live in public or private housing; or in owned or rented accommodation. As such, for the purpose of projecting long term housing demand, housing demand is defined as the total number of **new** housing units required to be built if each and every household is to be accommodated in adequate housing over the long term.

4.6 Accordingly, for the purpose of the housing demand projection, it is assumed that those who are already adequately housed currently will not generate new net demand for housing units, even though some households may move between different housing units within the existing housing stock. For example, those who are already renting a decent flat in the private sector may want to rent or buy a bigger flat. This would be regarded as movements between different housing units within the existing stock, and not regarded as generating a need for new housing units.

[1] Please see paragraph 4.18 for the circumstances that have been taken into account in defining "inadequately housed" households in the context of the projection of long term housing demand.

4.7 This being the case, only the following major components will count towards the number of new housing units required –

(a) net increase in the number of households;

(b) those who will be displaced by redevelopment; and

(c) those who are inadequately housed.

4.8 Some buyers may also have investment demand for housing, i.e. these buyers may purchase housing units for investment purposes. The Steering Committee has considered whether investment demand should be taken into account in the projection. In this connection, the Steering Committee notes that most flats purchased by investors will eventually be channelled back to the sales or the rental market, thus still be used to meet the overall physical housing demand. Therefore, a total inclusion of investment demand would inflate the housing demand. Besides, the distinction between physical housing demand and investment demand may be artificial, as most genuine home buyers would consider their property the most important investment in their lifetime. It is thus difficult to define or measure precisely the investment demand.

4.9 That said, investment demand might affect the supply-demand balance in the local residential market, to the extent that some flats may be owner-occupied as second homes or left vacant; or some non-local buyers may not be using or leasing their units, hence making these units not available for take-up by the local population and resulting in some physical demand not being able to be satisfied. In view of this, the Steering Committee considers that adjustments should be made accordingly in the projection of housing demand. According to the results of the 2001 Population Census and the 2011 Population Census, the number of flats occupied by Hong Kong residents as second homes has not shown a notable change. As regards the number of non-local buyers not using or leasing their units, this can be estimated based on statistics from the Inland Revenue Department (IRD) and the Rating and Valuation Department (RVD). A "miscellaneous" factor is therefore included in the projection to reflect, inter alia, the demand of non-local buyers who may take up flats but without channelling them back to the market.

Question 2
Do you have any views on the principles and methodology adopted for projecting the long term housing demand?

Projection of Housing Demand

(a) Net Increase in the Number of Households

4.10 Each year, new households are formed arising from marriages, splitting of existing households, immigration, and expatriates and non-local students coming to work or study in Hong Kong. At the same time, existing households may be dissolved due to deaths, emigration and expatriates/non-local students returning to their home. It is the **net increase** in the number of households that will **generate new housing demand**.

Domestic Household Projection

4.11 Towards this end, the latest domestic household projections published by the Census and Statistics Department (C&SD) in January 2013 are used as the basis for assessing the overall physical housing demand from the net increase in the number of households. As there is no projection on a financial year basis, the average annual net increase from mid-2011 to mid-2021, amounting to about 29 400 new households[2] per year, is adopted for projecting the housing demand in the next ten years.

4.12 It should be noted that the C&SD's domestic household projections are trend-based and illustrate what would happen if the past trends were to continue in the future. The projection of the net increase of 294 000 households in the coming ten years, which is slightly less than the actual increase of 315 000 households from mid-2001 to mid-2011, has already covered a diverse range of demographic

[2] For the purpose of conducting the domestic household projections, a household is regarded as a socio-economic unit consisting of individuals who share the same unit of quarters and meals. Persons who make common provisions for essentials for living inside a unit of quarters are regarded as members of the same household. In other words, so long as families can satisfy the C&SD's definition of domestic households, they will be covered in the C&SD's projections.

factors including the ageing population; smaller household size; the increasing number of one-person households; lower fertility rate; and longer life expectancy at birth, etc. The projection has also taken into account factors affecting the movement of Hong Kong residents such as Hong Kong people living and working in the Mainland; Type I babies (whose fathers are Hong Kong permanent residents and whose mothers are not) and Type II babies (whose parents are both non-Hong Kong permanent residents); One-way Permit Holders settling in Hong Kong; expatriates; and entry of talents/professionals under various schemes. In other words, the domestic household projections have fully captured the impact of the changing demographics in Hong Kong.

Scenario Analysis

4.13 While the C&SD's domestic household projections provide a sound basis for projecting long term housing demand, it is understandable that household formation and dissolution would vary in response to changes in economic and property market environments. It is therefore essential to conduct scenario analysis to reflect possible changes in the household projection figures corresponding to different economic and property market situations.

4.14 To this end, an econometric modeling exercise has been undertaken to quantify the relationship between household formation and economic performance (as proxied by real Gross Domestic Product (GDP) growth rate) and housing market situations (as proxied by average vacancy rate of private flats). The future number of domestic households is then projected under different assumptions for the purpose of producing a range of projections of long term housing demand. Specifically, in order to work out a lower limit for the number of households formed, it is assumed that both the real GDP growth and the vacancy rate in the coming ten years would be 1% point lower than their long term averages over 2002 to 2011 (at 4.5% per annum and 5.5% per annum respectively). Similarly, in order to work out an upper limit for the number of households formed, it is assumed that both the real GDP growth and vacancy rate would be 1% point above the long term averages[3].

4.15 The results of the econometric modeling exercise show that **the number of household formations will be in the range of 271 950 to 316 050, depending on different economic and housing market situations**. This represents a +/-7.5% from the C&SD's domestic household projection of 294 000 households over the ten-year projection period (or 29 400 households per year). The Steering Committee agrees to adopt the range of projections calculated under the econometric modeling, and considers that this approach should be able to take into account the impact of different economic and property situations, thereby obtaining a more comprehensive gauge of the estimated housing demand under different economic and property market situations.

(b) Households Displaced by Redevelopment

4.16 Households displaced by the redevelopment of old buildings in the public and the private sectors have to be rehoused, thus generating new housing demand on top of the net increase in the number of households. Based on announced redevelopment plans from the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS), as well as past trends in the private sector, it is estimated that there would be a new housing demand of about 46 300 units from households displaced by redevelopment, with the breakdown as follows –

[3] According to the econometric model adopted, in the past 20 years, the number of households formed was higher when the local macroeconomic performance was better or the private domestic vacancy rate was higher. Under the base case, it is assumed that the real economic growth and private domestic vacancy rate in the next ten years would be similar to those of the past ten years (i.e. 4.5% and 5.5% respectively) in order to project the household formation in the next ten years.

In order to work out a lower limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 3.5% and 4.5% respectively in the next ten years (i.e. 1% point lower than the base case). Under this lower case scenario, the household formation in the next ten years would be 7.5% lower than the base case.

In order to work out an upper limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 5.5% and 6.5% respectively in the next ten years (i.e. 1% point higher than the base case). Under this upper case scenario, the household formation in the next ten years would be 7.5% higher than the base case.

Table 4.1 New housing demand from households displaced by redevelopment

Redevelopment programmes	**Number of units**
(i) Redevelopment of PRH[4]	
The HA's redevelopment of Pak Tin Estate	4 100
The HA's interim housing units to be converted into PRH	1 900
The HS's redevelopment programme of Ming Wah Dai Ha	700
Sub-total	***6 700***
(ii) Redevelopment of private units (based on past trend of the number of private flats demolished in the past three years from 2010 to 2012[5])	**39 600**
Total = (i) + (ii)	**46 300**

Of course, there may be new redevelopment programmes in future. Therefore, **when more information on the redevelopment programmes is available and announced later, the Government should take such new information into account in future annual reviews and update of the projection on housing demand**[6].

[4] The number of units in the HA's redevelopment of Pak Tin Estate refers to the required number of units for receiving households displaced by redevelopment. Other PRH redevelopment programmes refer to the number of units affected by redevelopment.

[5] The Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice, which came into effect on 1 April 2010, has specified a lower application threshold for compulsory sale in respect of three classes of lot specified in the Notice, that is, for the three classes of lot, the minimum percentage of undivided shares in a lot that a person must own before the person may make an application for compulsory sale of the lot is lowered from 90% to 80%. Although the redevelopment of private residential properties does not necessarily go through compulsory sale application, it is observed that there had been an increasing trend in the number of private flats demolished in recent years. This is likely to persist in the projection period. As such, it is considered realistic to make a projection based on the average number of private flats demolished in the past three years from 2010 to 2012. From 2010 to 2012, the average number of private flats demolished was about 1 800 per year. As regards the number of households displaced by private redevelopment, the Steering Committee notes that there may be more than one household in a unit in older private buildings, and this should be taken into account in the projection. However, there is currently no reliable data to make a projection of this situation. The only benchmark that we can draw reference from is the data of the Urban Renewal Authority (URA). According to the URA's data, about 600 units were affected in its urban redevelopment projects commenced between 2010-11 and 2012-13, in which 1 300 households were involved. In other words, there were on average 2.2 households living in a private unit demolished. Therefore, it is estimated that the number of households displaced by redevelopment in the projection period would be 39 600 (=18 000 x 2.2).

[6] Please see paragraphs 8.14 to 8.16 in Chapter 8 on the redevelopment of aged PRH estates.

(c) Inadequately Housed Households

4.17 As the objective of the projection on long term housing demand is to estimate the number of units required to satisfy the need for adequate accommodation in Hong Kong, those households who are currently inadequately housed are deemed to have a need for new housing units, either in public or private housing. As there is no widely accepted definition of "inadequately housed", for the purpose of the long term housing demand projection, the Steering Committee has made reference to a number of considerations in determining which households should be regarded as "inadequately housed", and has also adopted a conservative approach in this context.

4.18 In gist, the Steering Committee considers that households in public housing (i.e. PRH and subsidized sale flats), which have been built to satisfy the housing needs of the community, should be regarded as living in adequate housing. For households living in private housing, **the Steering Committee considers that the following circumstances should be taken into account in determining whether households are "inadequately housed" for the purpose of the projection** –

(a) if the housing unit is made up of temporary structures (e.g. huts, squatters and roof-top structures);

(b) if the unit is located in a non-residential building (e.g. commercial and industrial building);

(c) if the unit is shared with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts); and

(d) if the unit is subdivided (see also paragraph 4.25 below).

4.19 Based on the 2011 Population Census, there were about 18 500 households living in units made up of temporary structures (e.g. huts, squatters and roof-top structures), 3 000 households living in non-residential buildings, as well as 11 100 households sharing the same unit with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts in the private permanent buildings). Following the Steering Committee's considerations, these households should be regarded as inadequately housed households (IHHs).

4.20 With regard to households living in subdivided units (SDUs), according to the results of the "Survey on Subdivided Units in Hong Kong" (SDU Survey) commissioned by the Steering Committee, it is estimated that there are a total of 66 900 SDUs in Hong Kong[7], with a detailed breakdown as follows –

(a) 7 900 are with unobservable physical partitions (i.e. those living in rooms, cubicles, bedspaces and cocklofts inside a quarter);

(b) 22 700 are with observable physical partitions and any one of the essential facilities (kitchen or cooking area/toilet/water) is not available inside the SDUs; and

(c) 36 300 are with observable physical partitions and all essential facilities (kitchen or cooking area/toilet/water) are available inside the SDUs.

4.21 Another point highlighted in the SDU Survey is that among the 66 900 SDUs, 30 600 units (as set out in paragraph 4.20 (a) and (b) above) lack any one of the essential facilities (i.e. kitchen or cooking area/toilet/water) within the unit.

4.22 On paragraph 4.20 (a) above, a similar figure on households living in rooms, cubicles, bedspaces and cocklofts inside a quarter is also available in the 2011 Population Census. As the figure in the 2011 Population Census (i.e. 11 100 households) is based on a

[7] The Survey involved a stratified random sample of 18 600 private domestic/composite buildings aged 25 years and above in Hong Kong. Due to their fragmented ownership, lack of building management, relatively large floor area and relatively low rental value (as reflected by ratable value) before subdivision, there is much higher chance of having domestic premises in these old buildings being subdivided into two or more units for rental purposes as compared to that of newer buildings. In view of this and the time constraint within which the Survey had to take place, the scope of the Survey was confined to buildings aged 25 years and above. However, to test the hypothesis that few SDUs should be found in newer buildings, a small sample of 200 private domestic/composite buildings aged below 25 years were surveyed. The Survey found that the number of SDUs in these newer buildings is indeed very small. The result confirms that the original decision to confine the scope of the Survey to those buildings aged 25 years and above is appropriate. According to the survey results, it is estimated that there are 66 900 SDUs in Hong Kong. The lower and upper limits of the estimated number of SDUs, at 95% confidence interval, are 53 000 and 80 800 respectively.

comprehensive survey and is larger than that estimated in the SDU Survey (i.e. 7 900 households), the Steering Committee has taken a conservative approach and adopted the figure in the 2011 Population Census (i.e. 11 100 households), rather than the figure in the SDU Survey (i.e. 7 900 households), for the purpose of projecting housing demand.

4.23 For the figures in paragraph 4.20 (b) and (c), as similar figures are not available in the 2011 Population Census, only the estimated figures provided in the SDU Survey can be used in the projection. However, since some of these households may be living in older buildings susceptible to redevelopment, their housing demand may have already been taken into account in the projected housing demand from households projected to be displaced by redevelopment (see paragraph 4.16 above). As buildings aged over 50 years stand a high chance of being targeted for redevelopment, households living in SDUs located in buildings aged above 50 years have been excluded from the counting of IHHs in the projection, on the assumption that housing demand from these households should have been covered in the projection of demand from households affected by redevelopment. This is to avoid double counting in the projection of housing demand. According to estimates of the SDU Survey, there are about 16 700 households living in SDUs located in buildings aged above 50 years. Therefore, the projected housing demand from households living in SDUs located in buildings aged 50 years or below is 42 300 units (= 22 700 + 36 300 – 16 700).

4.24 Based on the results of the 2011 Population Census and the SDU Survey, for the purpose of the long term housing demand projection, **the estimated number of IHHs is 74 900**, with the breakdown summarized as follows –

Table 4.2 Estimated number of IHHs

	Category of IHHs	**Estimated number**	**Source of information**
(i)	Households living in units made up of temporary structures (e.g. huts, squatters and roof-top structures)	18 500	2011 Population Census
(ii)	Households living in non-residential buildings	3 000	2011 Population Census
(iii)	Households sharing the same unit with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts in the private permanent buildings)	11 100	2011 Population Census
(iv)	Households living in units with observable physical partitions and in buildings aged 50 years or below[8]	42 300	Estimated in the SDU Survey
	Total	**74 900**	

4.25 In respect of paragraph 4.24 (iii) and (iv) above, the Steering Committee notes that depending on the actual living conditions, not all households sharing units with other households are necessarily inadequately housed. Given the wide range of different standards of SDUs in the market, the actual living environment varies under different circumstances. However, since it is difficult to differentiate the actual living conditions of individual households among these two categories, after balancing different views, the Steering Committee is inclined to adopt a conservative approach and count **all** these households as having housing needs which are not fully satisfied in the context of the projection. Accordingly, **all** of them are included in the projection of long term housing demand.

[8] As explained in paragraph 4.23, as buildings aged over 50 years stand a high chance of being targeted for redevelopment, in order to avoid double counting of housing demand, we have assumed that the housing demand from households living in SDUs located in buildings aged above 50 years should have been covered in the projection of demand from households affected by redevelopment.

Question 3

Do you have any views on the above criteria used to define "inadequately housed"?

(d) Miscellaneous

4.26 Apart from the above-mentioned demand components, the Steering Committee acknowledges that there may also be demands in the next ten years which are unaccounted for in the C&SD's domestic household projections. These include private permanent living quarters occupied by households with mobile residents[9] only, non-local students who might take up accommodation in Hong Kong, as well as the non-local buyers who take up flats without selling or leasing them. These factors would also affect the overall housing demand in Hong Kong. This being the case, the Steering Committee suggests that a "miscellaneous" factor be added to the projection of long term housing demand.

4.27 To be more specific, the "miscellaneous" factor includes –

(a) an increase of some 700 per year for private permanent living quarters occupied by "mobile residents only" households, based on the past trend as observed from results of the 2001 Population Census and the 2011 Population Census;

(b) non-local students who might take up accommodation in Hong Kong. On this, reference has been drawn to the past trend of the number of student visas issued (from 10 900 in 2007-08 to 21 000 in 2011-12), and statistics from the Education Bureau and the University Grants Committee in 2011-12 that about 50% of these students (including undergraduates and postgraduate students) were not living in residential halls/hostels provided by the institutions. Assuming a similar trend of increase in the number of non-local students in the next ten years (i.e. a net increase of some 1 000 non-local

[9] Mobile residents refer to Hong Kong permanent residents who have stayed in Hong Kong for at least one month but less than three months during the six months before or after the reference time-point, regardless of whether they are in Hong Kong or not at the reference time-point.

students per year needing to find their own accommodation in the private housing market), and further assuming that on average two non-local students would share one housing unit, the estimated housing demand would amount to some 500 per year; and

(c) apart from the demand from the local population, there may be some buyers from outside Hong Kong who may purchase flats but without channelling them back to the market (i.e. not selling or leasing out their units). Drawing reference from statistics of the IRD and the RVD, it is estimated that the demand of non-local buyers who may take up flats but without channelling them back to the market[10], would be in the range of 1 500 to 3 000 units per year, i.e. a mid-point of about 2 250 units per year[11].

4.28 Assuming that the past trends as detailed in paragraph 4.27 above will continue in the next ten years, there would be an additional housing demand of some 3 450 units per year (=700 + 500 + 2 250), or a total of 34 500 units over ten years.

---

[10] Although these units are bought by non-local buyers and without being channelled back to the market, this does not imply that they are vacant units. These units may be used as residence, second home, vacation home or for other purposes.

[11] The IRD's stamp duty statistics showed that purchases of residential properties by non-local buyers (including non-local individual and non-local company buyers) had been generally rising in 2007 to 2011. Their purchases as a share of total transactions rose from 3.5% in 2007 to 4.5% in 2010 and further to 6.5% in 2011. After the Government introduced the Buyer's Stamp Duty, their purchases averaged at 1.6% of total transactions in December 2012 to March 2013, though the share showed some rebound in March 2013 (2.3%). With reference to the above, it is crudely assumed that the share of purchases by non-local buyers would be 5% (average share of non-local buyers among all transactions in 2009 to 2011) as the upper range and 2.5% as the lower range. Using the annual average number of stamped transactions in 2007 to 2012 (121 500 cases) as rough indication, the purchases by non-local buyers would be around 6 000 cases per year as the upper range and 3 000 cases per year as the lower range in the coming ten years.

According to analysis conducted on transactions suspected to involve non-local buyers, 48% and 44% of the properties purchased in 2010 and 2011 respectively were let out and had active records in the RVD's rental database. It is further assumed that half of the purchases (50%) by non-local buyers would be owner-occupied or left vacant, and the remaining 50% would eventually be channelled back into the leasing market for the local population for take-up. Applying this ratio to the total purchases by non-local buyers, the projected demand by non-local buyers would thus be around 3 000 units per year as the upper range and 1 500 units as the lower range in the coming ten years, and the mid-point would be about 2 250 units per year.

Gross Total Housing Demand and Total Housing Supply Target

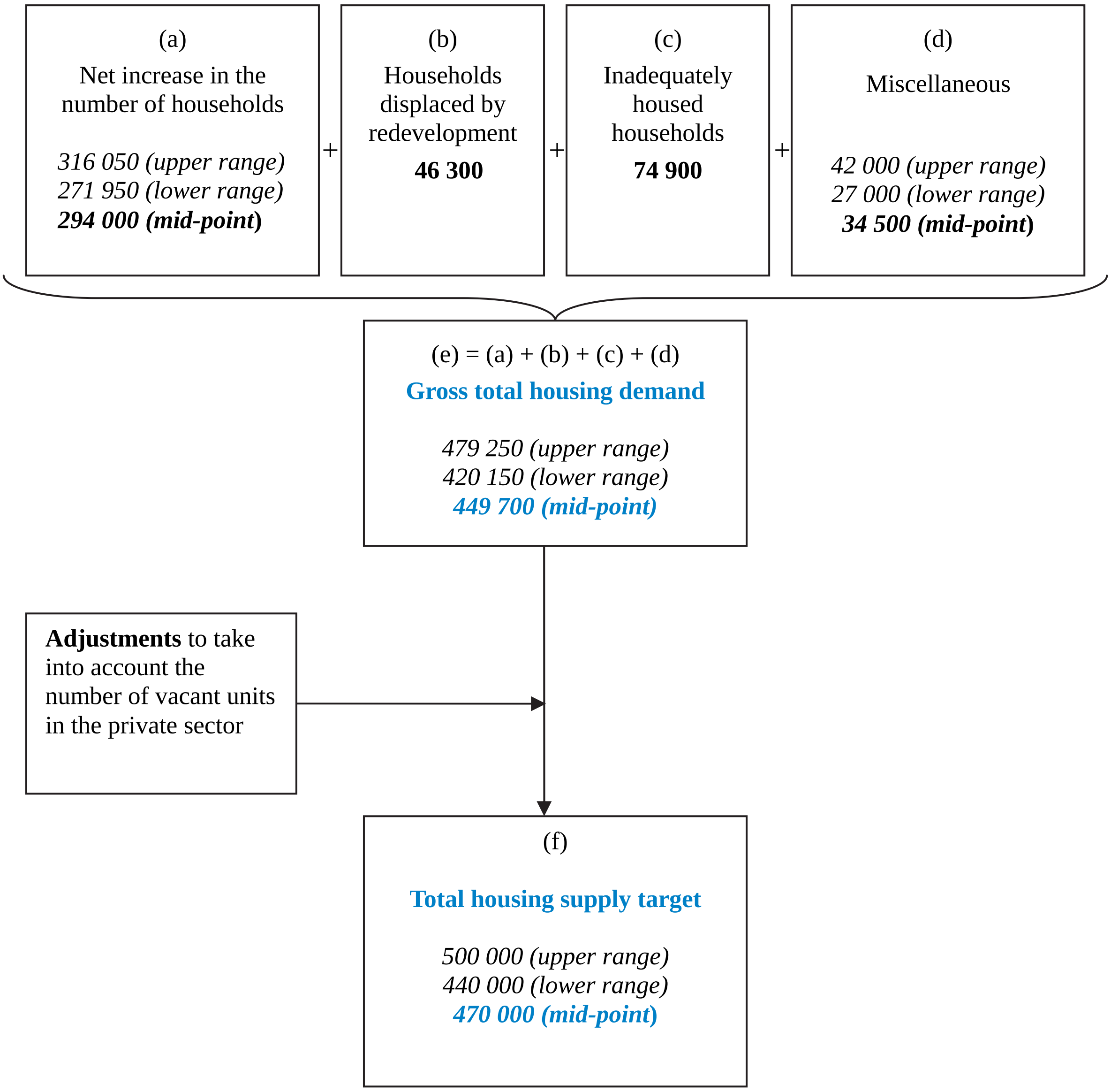
4.29 In gist, it is estimated that there would be a net increase of 294 000 households in the projection period, with an upper and lower range of 316 050 and 271 950 respectively. As regards households displaced by redevelopment, it is estimated that there would be 46 300 households displaced by redevelopment in the projection period. On IHHs, it is estimated that the number of IHHs in Hong Kong is 74 900. As for the "miscellaneous" factor, it is estimated that there would be a housing demand of 34 500 units, with an upper and lower range of 42 000 and 27 000 respectively. Summing up these demand components, the estimated gross total housing demand would be 449 700 units (mid-point) for the projection period from 2013-14 to 2022-23, with an upper and lower range of 479 250 and 420 150 units respectively.

> ***Question 4***
> In addition to the above major demand components, are there any other factors which you think should also be taken into account in projecting housing demand?

4.30 In the context of the LTHS, it is essential that we plan our total housing supply target in accordance with the projected total housing demand in order to meet the overall housing needs of our community and to ensure the stable and healthy development in the property market. Having regard to the strategy of supply-led, with public housing accounting for a higher proportion of the new supply as stated in Chapter 3, the Steering Committee **recommends** adopting the **ratio of 60:40 as the public/private split** in the new housing supply target for the coming ten years. Public housing comprises both PRH and subsidized sale units.

4.31 As there are always a certain number of flats left vacant in the private sector at any point in time, we have to take into account the number of vacant units at the beginning of the projection period (about 48 000), and the possible vacancy rate at the end of the projection period. On this, we have drawn reference from the average vacancy rate in the private sector from 2003 to 2012 (about 5.2%) as the basis for estimation. According to projection results of gross total housing demand, and taking into account the vacancy situation of private flats, we project that the total housing supply in the next ten years **should range between 440 000 and 500 000 units, with a proposed supply target of 470 000 units (mid-point)**. Details are summarised in the chart below –

Chart 4.1 Gross total housing demand and total housing supply target



4.32 The Steering Committee considers that, assuming a household only needs one adequate housing unit in the long run, if a household's housing need is satisfied by a unit in the public housing sector (regardless of whether it is PRH or subsidized sale flat), it would no longer need another unit in the private sector, and vice versa. Within the public housing sector, subsidized sale flats can satisfy part of the demand for private housing. As the resumption of the Home Ownership Scheme (HOS) has already been a regular part of the Government's housing policy, subsidized sale flats can serve as a buffer against fluctuations in the supply in the private sector. Moreover, the demand for private housing or subsidized sale flats will also change in accordance with economic and market situations. In view of the above, **although the Steering Committee recommends that the public/private split in the housing supply target should be 60:40 in the next ten years, it considers that this ratio should be adjusted flexibly to cater for changes in circumstances (including changes in the property market)**.

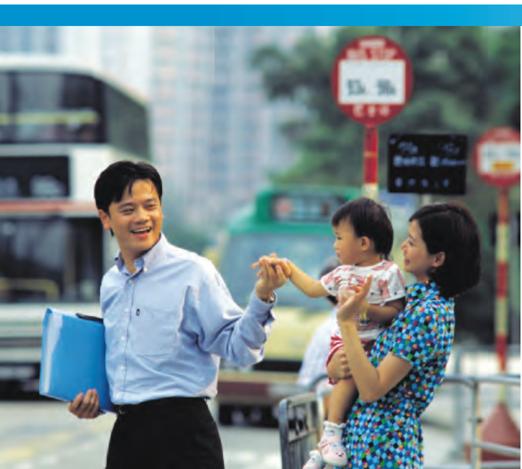
4.33 Apart from the public/private split, the Steering Committee considers that the Government should also maintain flexibility in the different production targets of PRH and subsidized sale units (e.g. HOS flats) within the public housing sector in order to better respond to changing market situations and to meet the evolving needs of the community in a timely manner. The Steering Committee therefore **recommends the Government and the HA to maintain the interchangeability of production between PRH and HOS**. In other words, the construction of flats in the public sector would need to be sufficiently flexible so that they may be supplied either as PRH or HOS flats. By doing so, the production numbers of PRH and HOS flats may be adjusted taking into account the latest market situation.

4.34 We have to balance the two major objectives of increasing production for public housing to satisfy demand and stabilizing the private housing market. Besides, to provide sufficient housing units to satisfy the demand, apart from land resources, we should take into account the tight manpower situation in the construction industry.

4.35 Taking into account the above considerations, and having regard to the limitations of the projection methodology, the Steering Committee further **recommends that the long term housing demand projection be updated annually to reflect any changes in policies or circumstances in a timely manner with a view to deriving an appropriate housing supply target**.

> ***Question 5***
> Do you have any views on the projected total housing supply target for the next ten years and the proposed public/private split for the future new housing supply?

5 HOUSING NEEDS OF SPECIFIC GROUPS IN THE COMMUNITY





Chapter 5

HOUSING NEEDS OF SPECIFIC GROUPS IN THE COMMUNITY

5.1 Given limited land and housing resources, priorities need to be set so as to assist those with genuine and the most pressing housing needs. The following groups have been selected by the Steering Committee for closer examination –

(a) the elderly;

(b) non-elderly singletons over the age of 35;

(c) inadequately housed households (IHHs); and

(d) youngsters and first-time home buyers.

The Steering Committee is aware that different groups may have competing demand for housing resources, and consider that the limited resources available should be deployed to help those with relatively greater needs. The question that has to be addressed is whether, and if so how, their various housing needs could be met and with what priority.

The Elderly

5.2 According to the results of the 2011 Population Census, Hong Kong's population continued to age over the last ten years. The median age rose from 36.7 in 2001 to 39.6 in 2006 and further to 41.7 in 2011. In terms of age structure, from 2001 to 2011, the proportion of the age group 25 to 44 decreased from 37% to 31%, while the proportion of the age group 45 to 64 and 65 or above increased from 22% to 31% and 11% to 13% respectively, as can be seen from the table below –

Table 5.1 Change in age structure, 2001 to 2011

Age Group	Year		
	2001	2006	2011
0-14	16.5%	13.7%	11.6%
15-24	13.7%	13.2%	12.4%
25-44	36.8%	33.5%	31.4%
45-64	21.8%	27.1%	31.3%
65+	11.1%	12.4%	13.3%

Source: Census and Statistics Department

5.3 According to the Hong Kong Population Projections for 2012-2041 published by the Census and Statistics Department (C&SD) in July 2012, the population in Hong Kong is expected to remain on an ageing trend. The age group of 60 and above will rise from 19% in 2011 to 27% in 2021; 33% in 2031; and 36% in 2041.

Low-income Elderly

5.4 The Steering Committee notes that the Government's elderly policy is to encourage the elderly to "age in place", with the principle of supporting "ageing in place as the core, institutional care as back-up". This is in line with the wish of most elderly people. In this regards, the Hong Kong Housing Authority (HA) currently offers a number of housing schemes which cater for the specific needs of elderly people who meet the general eligibility criteria for public rental housing (PRH).

Housing Schemes for the Elderly under the HA

Single Elderly Persons Priority Scheme – Under this Scheme, priority processing over the applications by ordinary families would be accorded to elderly one-person PRH applicants who wish to live alone. The elderly applicants must be 58 years of age or above, and must have attained the age of 60 at the time of flat allocation. The HA's current pledge is that the waiting time for eligible applicants under this Scheme would be around two years, which is shorter than the average waiting time (AWT) target of around three years for general applicants on the Waiting List (WL).

Elderly Persons Priority Scheme – Under this Scheme, priority processing over the applications by ordinary families would be accorded to two or more elderly persons who undertake to live together upon flat allocation. Again, the applicants must be 58 years of age or above, and must have attained the age of 60 at the time of flat allocation.

Harmonious Families Priority Scheme – This Scheme is designed to encourage younger family members to take care of their elderly parents or elderly dependent relatives (who must have reached the age of 60 at the time of application) and to promote harmony in the family. Eligible families may opt to live in one flat or two nearby flats according to their choice of district and the number of flats available given their family circumstances.

5.5 In terms of estate design, the HA has adopted universal design principles in addition to complying with the requirements under the statutory code for barrier free access in PRH developments since 2002. Older estates are also being brought up to the current design standards as far as practicable. Common areas are provided with facilities to enhance safety and user-convenience. Domestic flats will be modified free of charge upon request to suit the needs of those tenants with disabilities as certified by their physiotherapist. These measures are intended to ensure that, by and large, the mobility needs of elderly PRH tenants within the estates are more or less addressed.

5.6 In terms of the provision of community and social welfare facilities for the elderly, public housing estates are planned in consultation with relevant parties including the Social Welfare Department (SWD) and the District Councils to ensure that necessary support and care services such as day care centres for the elderly are available to meet the needs of the elderly. For existing public housing estates with ageing populations, elderly facilities will be added to meet the specific requirements of this group of tenants wherever possible.

5.7 Having regard to the efforts made by the HA in terms of PRH allocation, estate design and the provision of supporting facilities, the Steering Committee considers that the housing needs of the low-income elderly should continue to be met by the provision of PRH, and **recommends that the HA should maintain its efforts to provide affordable rental housing with suitable facilities for eligible elderly people, and continue to refine its PRH allocation policy in line with the "ageing in place" principle**.

Middle and High-income Elderly

5.8 As for those middle-income elderly people who are not eligible for PRH, the Steering Committee notes that the Hong Kong Housing Society (HS) has developed the Senior Citizen Residence Scheme (SEN), which aims to provide "one stop" purpose-built housing with medical care services and recreational facilities for middle-income elderly people aged 60 and above who have the means to live an independent life. Two sites have been granted by Government at a nominal premium to the HS for SEN-type developments. The SEN units are disposed of under a "lease-for-life" arrangement. After payment of an entry contribution, the elderly can live in the units free of rental payment thereafter. During the tenancy, tenants only need to pay management fees which cover general building management and basic care services. They can also enjoy optional services provided by the operator on a user-pay basis. The two SEN developments are in Tseung Kwan O and Jordan Valley respectively, offering a total of some 570 flats. The Joyous Living Scheme developed by the HS is designed for elderly aged 60 and above who can afford and are willing to pay for purpose-built elderly flats (and ancillary services tailored for their needs) at market rates. These units will be disposed of under a "lease-for-life" basis. Two projects are being developed in North Point and Tin Shui Wai respectively, which will provide a total of some 1 550 flats. These sites were provided to the HS by the Government on a full market premium basis.

5.9 Drawing reference from the SEN and the Joyous Living Scheme projects; as well as existing Government policies and practices, the Steering Committee has the following observations –

(a) given that the SEN projects have been well-received, the Steering Committee considers that these projects provide a suitable blueprint for the provision of dedicated housing and facilities for the middle-income elderly by the HS or other non-profit making organizations. The Steering Committee observes that relevant sites of the SEN projects were granted to the HS at nominal premium. Some Members suggest that, subject to necessary land resources being available, the HS should be supported to introduce similar projects in future, and that consideration should be given to whether concessions could be provided to other non-profit making organizations to encourage them to develop similar schemes;

(b) at the same time, the HS or the private sector may also operate elderly housing schemes targeting at middle and high-income elderly under a market-driven approach.

Unless private elderly housing projects are developed and operated on a commercial basis out of the developers' own resources, they would inevitably lead to a drain on land resources which could otherwise be used for the development of public housing. Given the potential costs involved and the competing priorities for scarce land resources, the Steering Committee considers that there is a need to strike a balance between giving support to such market-driven commercial projects for the middle and high-income elderly on the one hand, and the development of PRH and Home Ownership Scheme (HOS) flats for the lower income groups on the other; and

(c) the Government's policy to support ageing in place should apply equally to those who live in private housing. In this regard, the Steering Committee notes that the Buildings Ordinance (Cap. 123) already facilitates modification works to be carried out to enhance barrier free access in private residential developments, since such modification works are generally exempted works under the Ordinance and can be readily executed.

5.10 The SWD currently provides community support services for the elderly via elderly centres at district and neighbourhood levels. In 2012-13, the Lotteries Fund allocated $900 million under the Improvement Programme of Elderly Centres to enhance the facilities of 237 elderly centres in Hong Kong in order to meet the changing welfare services needs of the elderly. These centres deliver comprehensive support services for the elderly, including the promotion of senior volunteerism, counselling and referral services for the needy elders. In addition, there are currently 65 Day Care Centres which provide frail elderly persons with community care services. The SWD also offers various home-based services for the elderly, which include a comprehensive package of services such as basic and special nursing care, personal care, rehabilitation exercise, home-making services and meals delivery services. In light of the ageing population, the Steering Committee has requested the Labour and Welfare Bureau to consider whether the provision of such services can be further enhanced.

5.11 In addition, the Steering Committee notes that the Hong Kong Planning Standards and Guidelines (HKPSG) contain certain guidelines on the planning for elderly facilities. Nevertheless, the Steering Committee would like the Labour and Welfare Bureau and relevant departments to review the HKPSG with a view to ensuring the provision of essential facilities and services for the elderly at the district level. Furthermore, the coordination amongst relevant bureaux and departments should be strengthened in order to enhance the overall community support to the elderly, particularly the low-income elderly.

5.12 The Portable Comprehensive Social Security Assistance (CSSA) Scheme and the Guangdong Scheme implemented by the SWD allow elderly people who choose to retire in relevant provinces in the Mainland to continue to receive CSSA and the Old Age Allowance. The Steering Committee notes that there are arrangements to facilitate elderly PRH tenants to participate in these schemes. Participating elderly tenants who return their PRH flats to the HA will be issued a letter of assurance, which guarantees their future allocation of a PRH flat without the need to queue afresh if they return to Hong Kong in future and if accommodation is needed. The Steering Committee affirms the above arrangement in facilitating the provision of housing to the elderly.

Question 6

Should the Government continue to support the development of elderly housing projects for the middle and high-income elderly as suggested by some in the community? If so, what sort of support should be given?

Non-elderly Singletons over the Age of 35

5.13 It is the current policy of the Government and the HA to accord priority to families and the elderly (i.e. the general applicants) over non-elderly one-person applicants for PRH. The latter are placed on the Quota and Points System (QPS) and the three-year AWT target does not apply to them.

Quota and Points System

The QPS was introduced in September 2005 to rationalize and to re-prioritize the allocation of PRH to non-elderly one-person applicants. Under the QPS, there is an annual allocation quota for non-elderly one-person applicants, which is set at 8% of the number of flats to be allocated to WL applicants, subject to a maximum of 2 000 units. This is broadly equivalent to the annual average of PRH units allocated to non-elderly one-person applicants over the ten years before the introduction of the QPS in 2005.

5.14 Under the QPS, points are assigned to applicants based on the following three determining factors –

(a) Age at the time of application : zero point will be given to applicants aged 18. Three points will be given to those aged 19, six points to those aged 20 and so forth;

(b) PRH residency : for applicants currently living with their families in PRH, 30 points will be deducted; and

(c) waiting time : one additional point will be given for each month the applicant has been on the WL.

5.15 The Steering Committee observes that the number of general applicants on the WL for PRH, who may have greater and more urgent needs for public housing, has been soaring. As at 30 June 2013, there were about 118 700 general applicants on the WL. Taking into consideration limited PRH resources, the overall housing situation and the lengthening WL for PRH, the Steering Committee supports the HA's policy that priority should continue to be given to general applicants, including family applicants and elderly applicants, for PRH flats.

5.16 As for the 115 600 non-elderly one-person applicants under the QPS as at 30 June 2013, about 37 900 (33%) were over the age of 35. According to the HA's 2012 Survey on WL Applicants for PRH, only 7% of the non-elderly one-person applicants over the age of 35 had attained post-secondary or higher education. This is in stark contrast to those non-elderly single applicants aged 35 or below, where 47% of them had attained post-secondary or above education according to the same HA Survey. The Steering Committee is concerned that QPS applicants over the age of 35 may have relatively limited upward mobility, hence may experience greater difficulties in improving their living conditions on their own. The Steering Committee therefore considers that this group of applicants should be offered higher priority under the QPS.

5.17 The Steering Committee **recommends that the QPS be refined by increasing the annual PRH quota** (currently set at 8% of total PRH units available for allocation to WL applicants, subject to a cap of 2 000) **for applicants under the QPS, and by allocating extra points to those above the age of 45 with a view to improving their chance to gain earlier access to PRH, and progressively extending the award of additional points to those over 40 and then over 35**. The Steering Committee also **recommends that consideration be given to setting out a roadmap to progressively extend the around three-year AWT target to non-elderly one-person applicants above the age of 35**. The Steering Committee appreciates that these measures, which will increase the chance of non-elderly singletons for earlier allocation of a PRH flat, could reduce the number of PRH units available for allocation to family and elderly applicants on the WL. However, the Steering Committee considers that the impact should gradually subside as the supply of PRH increases in the long run.

5.18 The Steering Committee also **recommends the HA to explore the feasibility of building dedicated PRH blocks for singletons at suitable fill-in sites within existing PRH estates (such as those with a relatively lower plot ratio and with sufficient infrastructural facilities), provided that it complies with the relevant planning requirements**. This would help expedite the supply of smaller PRH units to meet the rising demand from non-elderly singletons. These dedicated blocks would have to be provided on top of those PRH units already committed by the Government in order not to affect the opportunity of general applicants on the WL being allocated a PRH unit. However, such new blocks would have to be built at the expense of sitting tenants, since this would increase the development density of the estates concerned, and might consume a certain amount of communal areas. Its viability will therefore hinge on the level of acceptance in the community concerned. An individual Member is concerned that developing dedicated

PRH blocks for singletons might have a labelling effect on those who are allocated units therein.

5.19 The Steering Committee has also considered the suggestion from some quarters to increase the age of eligibility for PRH for single person to 30. However, the Steering Committee has come to the view that singletons of age 18 to 30 with genuine housing needs should not be deprived of the opportunity to receive housing assistance, even though they should continue to be accorded a lower priority than families and those older in age.

Question 7

What are your views on the recommendation for the HA to increase the PRH quota for QPS applicants, and to allocate more points to non-elderly one-person applicants above the age of 45 (and extend the arrangement to those who aged 40 and then 35) under the QPS so that they would have a better chance of gaining early access to PRH?

Question 8

What are your views on the recommendation for the HA to progressively extend the PRH three-year AWT pledge to non-elderly one-person applicants above the age of 35 in the long run (even though this might initially reduce the PRH units available for allocation to family and elderly applicants)?

Question 9

What are your views on the idea for the HA to build dedicated PRH blocks for singletons in estates with a lower plot ratio and with sufficient infrastructural facilities, which will be provided in addition to the PRH units already committed?

Inadequately Housed Households

5.20 The Steering Committee considers that priority should be accorded to addressing the housing needs of IHHs. In this regard, their housing needs have already been taken into account in the long term housing demand projection. The Steering Committee has included all households which are currently living in units made up of temporary structures (e.g. huts, squatters and roof-top structures); households living in non-residential buildings, units shared with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts); and subdivided units (SDUs) as IHHs.

5.21 In the case of SDUs, the Steering Committee commissioned an independent research institution to conduct a survey on SDUs in Hong Kong (the SDU Survey) in early 2013 to estimate the number of SDUs in Hong Kong and to gather information on the profile of the tenants living therein.[1] The research institution conducted a total of over 6 400 interviews covering 1 860 private domestic/composite buildings aged 25 years and above in the territory, and estimates that there are about 66 900 SDUs[2] in the territory. Of these, about 30 600 SDUs (46%) are not equipped with all of the essential facilities (i.e. kitchen or cooking area/toilet/water) inside the unit. In terms of profile, around 53% of SDU households are one to two-person households. About 49% of SDU households have applied for PRH, among them 97% are already on the WL. The primary reasons for households to choose to live in SDUs are convenience of travelling to/from their place of work or study (64%) and lower rental as compared to other places of residence (49%). About 14% of the SDU households have lived in PRH before they move to their current SDUs.

---

[1] The report of the "Survey on Subdivided Units in Hong Kong" is available at the Transport and Housing Bureau website at http://www.thb.gov.hk.

[2] Please refer to Note 7 in Chapter 4.

5.22 Since rental is one of the key concerns of the IHHs, particularly for those living in SDUs, the Steering Committee **recommends that PRH should be the primary housing solution for eligible households**. On the other hand, as revealed in the SDU Survey, some households have chosen to live in SDUs for various practical reasons such as convenience of location and aspiration for individual living space, and some households had actually lived in PRH before they moved to their current SDUs. As such, the Steering Committee is of the view that SDUs situated in convenient urban locations may continue to exist even if there is adequate supply of low-cost housing such as PRH. Currently, the public's primary concern is that the safety conditions of such units should under no circumstances be compromised. The Steering Committee concurs with this public sentiment.

5.23 The Steering Committee notes that it is already the Government's policy to eradicate SDUs in industrial buildings, and the Government has already strengthened its enforcement action. As for SDUs located in domestic and composite buildings, enforcement action will continue to be taken under the Buildings Ordinance (Cap. 123) to address irregularities in relation to building and fire safety requirements. Since April 2012, the Buildings Department (BD) has enhanced its large scale operation to inspect 200 target buildings (including 30 industrial buildings) per year to identify and take action against irregularities involving building works associated with SDUs. The BD and the Fire Services Department also launched a joint operation in April 2013 to inspect the common means of escapes of about 6 500 old-style domestic and composite buildings, with a view to enhancing the fire and building safety of the common parts of such buildings. The operation is expected to be completed in a year's time. **The Steering Committee urges the Government to step up inspection and enforcement**. In accordance with established Government policies, SDU tenants who are affected and displaced by Government enforcement action will be offered temporary accommodation at the Po Tin Transit Centre in Tuen Mun. Affected households who have lived in the Transit Centre for three months and passed the "homeless" test, as well as fulfilling the eligibility criteria for PRH can be rehoused to Interim Housing under the HA pending PRH allocation through the WL system.

5.24 Some Steering Committee Members suggest that the Government should consider providing transitional housing to SDU households. For instance, this might be provided on Government land in the urban area which does not have other immediate uses. On the other hand, there are also views that given the lack of urban land, suitable urban sites for housing construction should be reserved for PRH development to address the pressing WL demand, which could ultimately benefit those who are currently inadequately housed, including SDU tenants who are on the PRH WL. Even if urban sites which do not have other immediate uses are to be granted under short term tenancy for the development of transitional housing blocks, they would still require additional infrastructural works such as the provision for sewerage etc. Hence, it may not be completed within a short period of time. Taking the views from all sides into account, **the Steering Committee considers that if there are suitable temporarily vacant sites in the urban area, the Government could further explore the feasibility of providing transitional housing on these sites**.

5.25 While there are views from the public to convert industrial buildings into transitional housing, the Steering Committee notes that the Development Bureau has examined the issue in detail and has concluded this is not practicable, the reason being that industrial buildings generally cannot meet the design and planning requirements for domestic buildings (natural lighting and ventilation in particular). To convert an industrial building into transitional accommodation in compliance with the relevant standards and requirements would involve substantial alteration of the building. Even if technically feasible, the conversion would require considerable costs which would undermine its viability. On the other hand, Members agree that the Government should continue with the on-going review on industrial zones in order to rezone suitable industrial sites for other uses with more pressing demand in the community (including residential use), in order to help increase housing land supply.

5.26 There are also suggestions from some Steering Committee Members that the Government should explore the feasibility of introducing a licensing or landlord registration system to better regulate the safety and hygiene conditions of SDUs in residential and composite buildings. While the Government has already been enhancing its enforcement actions against irregularities associated with building and fire safety found in SDUs, the Steering Committee notes that the proposed licensing or landlord registration system may help improve the safety standards and living conditions of SDUs in residential and composite buildings in the longer run. At the same time, the Steering Committee is acutely aware of the time and resources required for implementing such a scheme. For instance, a freezing survey may be needed to establish the number of such units and to prevent proliferation; rehousing arrangements may also be necessary for those SDU tenants who may move out of their units as a result of the implementation of the scheme. Beyond this, as legislation would be necessary, a long legislative process is expected.

Question 10

If suitable urban sites which do not have other immediate uses are available, do you think that they should be used to provide transitional housing to those in need?

Question 11

What are your views on the idea of introducing a licensing or landlord registration system to regulate SDUs in residential and composite buildings?

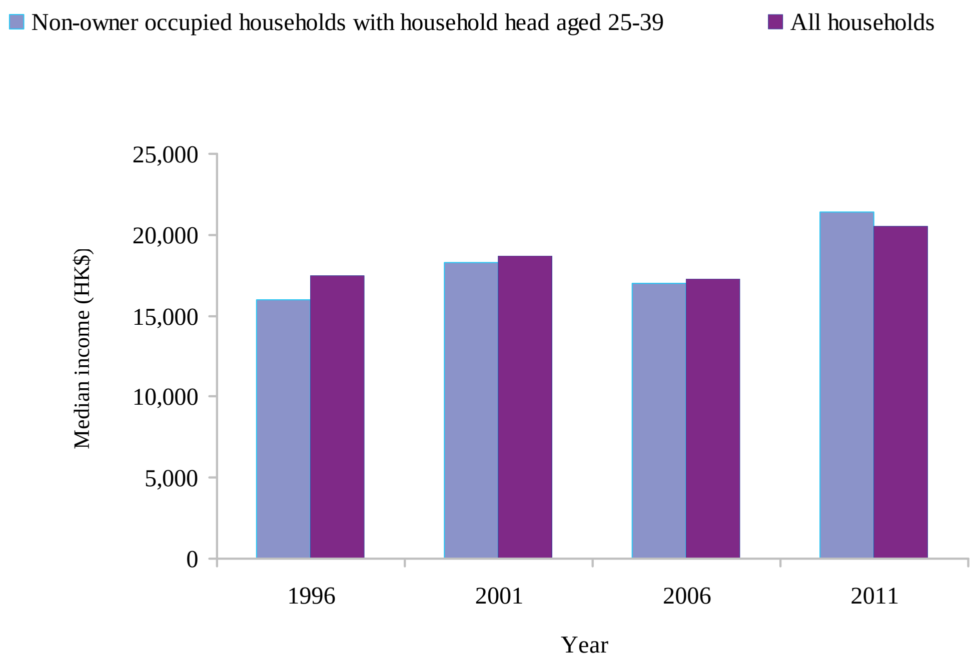
Youngsters and First-time Home Buyers

5.27 The Steering Committee appreciates that youngsters may have specific housing needs. For example, some youngsters may need to form new households, in either self-owned or rented accommodation, because they wish to move closer to their place of work, or to get married. In this regard, the housing needs of youngsters arising from new household formation have already been taken into account in the housing demand projection detailed in Chapter 4.

5.28 There have been complaints from youngsters in recent years that soaring flat prices have delayed their marriage decisions, and that even young university graduates' aspirations for home ownership cannot be fulfilled at the current high level of property prices. On the basis of the population censuses/by-censuses, the Steering Committee has conducted further analysis and considers that youngsters with home-ownership aspiration could be categorized into two groups: (a) those with household head aged 25 to 39, living in PRH or rented private flats; and (b) single youngsters aged 25 to 39 who are not household heads –

(a) **Non-owner occupied household heads aged 25 to 39**: the cumulative increase in median monthly income of these households was 34% from 1996 ($16,000) to 2011 ($21,400), while the overall flat prices had risen by 56%. Even though the median monthly income level of these households in 2011 was slightly higher than that of all households in Hong Kong ($21,400 vs. $20,500), and it had risen faster than that of all households in Hong Kong during the same period (34% vs. 17%) (see Chart 5.1), the soaring flat prices had made it more difficult for these households to own a flat.

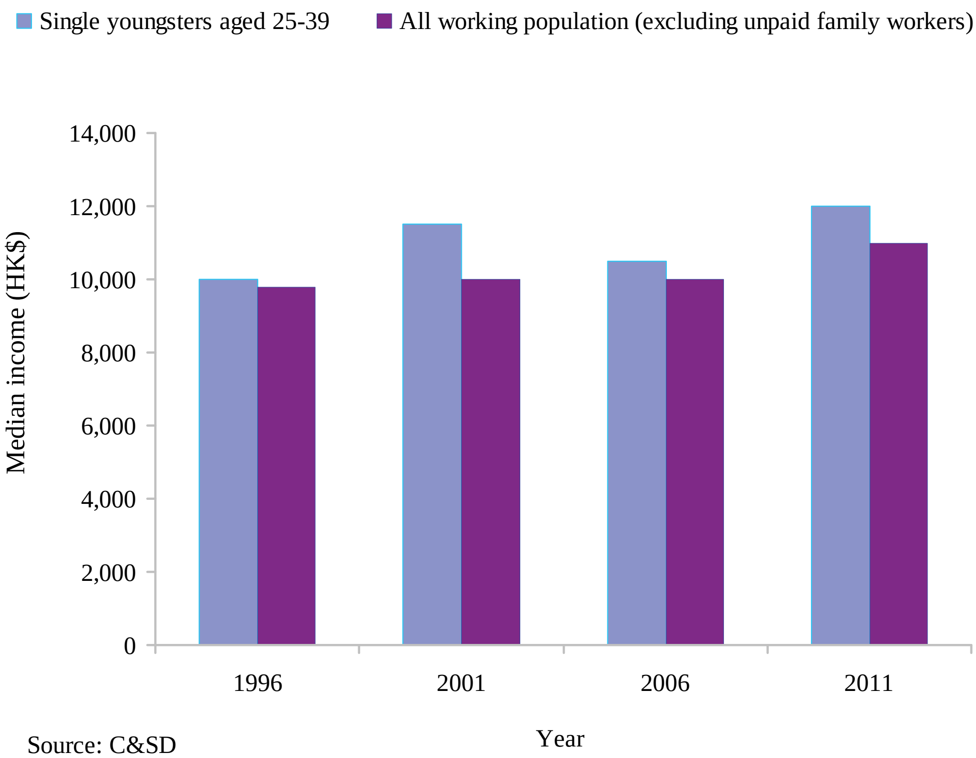
Chart 5.1 Comparison of median monthly income of non-owner occupied households with household head aged 25 to 39 and all households, 1996 to 2011



Source: C&SD

(b) **Single youngsters**: Statistics from population censuses/by-censuses showed that the median monthly income from main employment of this group of single youngsters rose from $10,000 in 1996 to $12,000 in 2011, with a cumulative change of 20%. This cumulative change of median monthly income is similar to that for the whole working population (with median monthly income of $11,000 and cumulative change of 16%) (see Chart 5.2). Even assuming that these single youngsters were to buy a private flat with a saleable area of 30 m^2 to form a singleton household, the mortgage to income ratio would still be as high as 65% in 2011. This suggests that unless they receive some form of financial assistance, say from family members, it would be very difficult for a typical single youngster to own a private flat of that size.

Chart 5.2 Comparison of median monthly income of singleton aged 25 to 39 and all working population, 1996 to 2011



Source: C&SD

5.29 On the other hand, the Steering Committee notes that the employment income of youngsters is in general slightly higher than that of the entire working population. For instance, for those youngsters aged 25 to 29 who have attained education level at university and above, their median monthly income from main employment was $17,000 in 2011, which was higher than the median monthly income of $11,000 for the entire working population.

5.30 Drawing reference from the above comparative analysis, and taking into account the fact that there are other groups with more pressing housing needs (i.e. the elderly, grassroots families who are inadequately housed, and non-elderly single applicants over the age of 35 on the WL) that should be accorded priority for Government assistance, it would be difficult to accord top priority to the housing needs of youngsters for the time being. The Steering Committee also notes that, in the Focus Group Study mentioned in paragraph 1.4 of Chapter 1, most of the participants concurred that the Government should accord the highest priority to address the housing needs of the grassroots and the IHHs.

5.31 Nevertheless, **recognizing that the younger generation is the future, the Government must demonstrate its commitment to resolve the housing problem, and establish an effective housing ladder which promotes mobility**. Given their prime age and better potential for upward mobility (especially those who have completed tertiary education), increasing the supply of HOS flats should be an effective way to address the aspirations of youngsters. As a matter of fact, according to the Survey on Buyers of Private Domestic Flats conducted by the Housing Department from 2003 to 2009 and 2012[3], 70% to 80% of the actual first-time home buyers were aged 39 or below. As such, the Steering Committee considers that measures to assist first-time home buyers could also help address the home ownership aspirations of the youngsters.

[3] The survey was not conducted in 2010 and 2011.

5.32 As at the fourth quarter of 2012, households with two persons or above earning up to $40,000 and singletons earning up to $20,000 (i.e. the current income limits for HOS flats and the HS's subsidized sale flats project Greenview Villa) represent some 64% of all private non-owner-occupied households in Hong Kong. The Steering Committee therefore **supports the Government's decision to make the development of HOS a standing feature of its housing policy. This will establish a housing ladder by addressing the home ownership aspirations of those who cannot afford private residential flats, especially youngsters and first-time home buyers**. The overwhelming response to the sale of the HS's Greenview Villa, as well as the HA's Interim Scheme which extends the HOS Secondary Market to White Form buyers (the Interim Scheme), also suggests strong demand for subsidized sale flats from first-time home buyers.

Extending the HOS Secondary Market to White Form Buyers

In response to the home ownership aspirations of low and middle-income families, the Government has announced that the Interim Scheme will be launched before the completion of the first batch of HOS flats in 2016-17, with an annual quota of 5 000 (4 500 for family applicants and 500 for singleton applicants). Eligible White Form applicants meeting the eligibility are allowed to buy HOS flats, Tenants Purchase Scheme (TPS) flats and the HS's Flat-for-Sale Scheme (FFSS) flats in the Secondary Market with premium not yet paid. The Interim Scheme can also facilitate the turnover of these flats, thereby revitalizing the HOS Secondary Market. The Government will review the effectiveness of the Interim Scheme and consider whether it should be continued.

5.33 The Government has pledged to provide about 17 000 HOS flats in total over the four years from 2016-17 onwards and thereafter an annual average of 5 000 HOS flats. The first batch of some 2 100 new HOS flats will be available in end 2016 and pre-sale is currently scheduled for end 2014. The Steering Committee **recommends that the Government should be proactive in identifying sites and developing more HOS units on top of those already pledged by the Government in order to meet the growing aspiration for home ownership of youngsters and first-time home buyers**. In addition, individual Members also suggest the HA to adopt a longer pre-sale period in the sale of HOS flats in order to allow applicants to secure units earlier.

5.34 To help the younger generation meet their aspiration for home ownership, the Steering Committee further **recommends that consideration be given to setting aside a certain proportion (say 10% to 20%, or even up to 30%) of units in each HOS sale for eligible singleton applicants**. This measure would have the benefit of increasing the chance for eligible singleton applicants to purchase HOS flats. However, this measure will inevitably have to be made at the expense of eligible family applicants.

5.35 The Steering Committee considers that HOS flats and subsidized sale flats under the HS should continue to be restricted to those who meet the income and assets criteria (except for Green Form applicants). The current HOS eligibility criteria only impose upper limits on income and assets. There are however cases in the recent sale of Greenview Villa by the HS and the HA's Interim Scheme where certain applicants, many of whom singletons, apply notwithstanding the fact that they have unduly low income and assets. This suggests that these applicants could not have afforded to purchase a property even on mortgage terms.

5.36 To better utilize limited resources and to improve the chance of eligible first-time home buyers with genuine housing needs, the Steering Committee **recommends that a minimum income/asset level be set for White Form applicants for future sale of HOS flats and other subsidized home ownership schemes**. This could prevent people from making home purchase decisions that are totally out of their affordability, and at the same time increase the chance for individuals who have saved up and could afford buying properties with their own means to purchase HOS flats.

> ***Question 12***
> What are your views on the recommendation to set aside a certain proportion in each HOS sale for singletons?

> ***Question 13***
> What are your views on the recommendation to set a minimum income/asset level for White Form applicants for future sale of HOS flats and other subsidized sale flats to improve the chance of eligible first-time home buyers with genuine housing needs?

Other Issues

5.37 In the course of its deliberations on the housing needs of specific groups in the community, the Steering Committee has also considered the following topics, some of which are controversial, and call for more thorough debate within the community.

Home Starter Loan Scheme

5.38 The Steering Committee has considered the suggestion from some quarters of the public to relaunch the Home Starter Loan Scheme (HSLS), which was introduced more than a decade ago to assist eligible first-time home buyers to purchase their own home. However, **the Steering Committee has come to the conclusion that under the current acute housing supply situation, any such government loan scheme will only be counter-productive and have the effect of pushing up flat prices**. Besides, the then HSLS was introduced at a time of economic downturn and coincided with a property market slump, which severely undermined borrowers' ability to repay their loans and generated considerable public resentment against the Scheme[4]. The Steering Committee is of the view that the HSLS should not be considered for the time being.

Tenants Purchase Scheme

5.39 The Steering Committee has also considered the suggestion from some members of the community to relaunch the TPS. **The Steering Committee's mainstream view is that the Government should not relaunch the TPS in public housing estates, but should continue to support the TPS covering the existing 39 estates and to put up the remaining TPS flats for sale**. First and foremost, selling PRH flats to tenants will inevitably affect the turnover and supply of PRH flats, which will directly affect the HA's ability to maintain the AWT for general applicants at around three years. Secondly, the HA has encountered many problems with the management of the residual PRH flats in the 39 TPS estates, since the HA's estate management policies cannot be fully implemented in those TPS estates, resulting in PRH tenants living in the TPS estates and those living in non-TPS estates being subject to different management regimes.

5.40 Under existing policy, sitting tenants in the 39 TPS estates can still opt to buy the rental flats in which they are living. Tenants living in PRH with aspiration for home ownership can also purchase TPS flats, HOS flats or the HS's FFSS flats with premium not yet paid on the Secondary Market. As at

---

[4] Of the cases in which full repayment had been made, more than half of them were found to be in default at some stage. There were about 4 000 cases in which full payment had not been made. There were also some 1 200 cases involving bankruptcy. Up to now, the Scheme has resulted in a bad debt of some $490 million to the Government.

end March 2013, there are a total of about 252 900 HOS flats, about 121 700 sold TPS flats and 9 100 FFSS flats with premium not yet paid. **As to encouraging sitting PRH tenants for home purchase, the general direction is to achieve this through the HOS, so that their original PRH flats could be released for reallocation to applicants on the WL**.

Rent Subsidy and Rental Control

5.41 There are suggestions for the Government to provide monthly rent subsidy to those households who have been on the PRH WL for more than three years and have not yet been allocated a unit. While the Steering Committee agrees that the Government should seek to maintain the AWT for general applicants at around three years, **it would be counter-productive for any rent assistance to be introduced in a tight supply market**, as the rent subsidy provided by the Government would most likely lead to upward pressure on rental levels, thereby partially offsetting the benefits to the tenants. Moreover, providing monthly rent assistance specifically to those on PRH WL would probably induce more to queue up for PRH.

5.42 Upon the enactment of the Landlord and Tenant (Consolidation) (Amendment) Ordinance by the Legislative Council, rent control and security of tenure were lifted in 1998 and 2004 respectively. Undoubtedly, rents have been rising significantly in recent years, most significantly in 2012 where rents went up by 11.3% (figure of December 2012 as compared with that of December 2011), with the rate of increase particularly acute for small size units (13.4%) (figure of December 2012 as compared with that of December 2011). There has been demand from some sectors of the community for the Government to consider a new round of rental control measures to curb the undue rent hikes, and to secure the tenure of the existing tenants, particularly for the underprivileged who are living in those SDUs with poor living conditions.

5.43 **However, as rental control is a two-edged sword, the Steering Committee considers that the Government should be cautious**. Rent control primarily refers to the imposition of statutory limits on the maximum level of rent increment allowable upon tenancy renewal for designated categories of residential units. Even though such control measures may appear to be able to limit rent increase, since the measure mainly targets at the rent of renewed tenancies, landlords might ask for a higher rent upfront when a tenancy agreement is first made with a new tenant in order to mitigate the impact of rent control upon tenancy renewal. New tenants may either be driven out of the rental market or have to bear even higher rents. Hence, instead of benefiting tenants, rent control could in fact be counter-productive.

5.44 The security of tenure means that the landlord is obliged to renew tenancy if the sitting tenant so wish and is prepared to pay the prevailing market rent. Only under certain defined circumstances such as self-occupation could the landlord refuse renewal of tenancy. The implementation of such proposal must, however, take into account its implications on market behaviour. For instance, owners may no longer be willing to let their properties or may become more fastidious when identifying suitable tenants, thus reducing the supply of rental units in the market and would in turn drive up rents and render the measure counter-productive.

5.45 As seen from the above, the benefits of rental control (including rent control and the security of tenure) could at best benefit the incumbent tenants. For prospective tenants, they may have to bear higher rents, or find it increasingly difficult to find suitable housing in a shrinking market. In the long run, the ultimate solution to our housing problem is to increase supply, especially the supply of public housing.

Question 14

There are divergent views in the community on relaunching the following schemes: (a) the TPS; (b) providing financial assistance to first-time home buyers; and (c) providing rent subsidy and implementing rental control (including control on rent and security of tenure). What is your opinion?

6 MEASURES TO MAXIMIZE THE RATIONAL USE OF PUBLIC RENTAL HOUSING RESOURCES

Chapter 6

MEASURES TO MAXIMIZE THE RATIONAL USE OF PUBLIC RENTAL HOUSING RESOURCES

6.1 Public rental housing (PRH) is the primary housing solution for the grassroots. It is necessary to ensure that PRH flats are allocated in a fair and rational manner so that our limited public resources will be devoted to assist those with genuine needs. This chapter will consider the question of how to prioritize the allocation of PRH flats in order to help those with the most pressing housing needs, and will examine ways to maximize and rationalize the use of existing PRH resources.

6.2 Under the Housing Ordinance (Cap. 283), the Hong Kong Housing Authority (HA) is responsible for developing and implementing the public housing programme in Hong Kong, and to formulate and administer relevant policies. Therefore, subject to the outcome of the public consultation exercise, the recommendations in this chapter will be passed to the HA for further consideration and implementation, taking into account the HA's policy and resources constraints.

Latest Position of the Public Rental Housing Waiting List

6.3 The Government provides PRH for low-income families who cannot afford private rental accommodation to meet their basic housing needs. The HA implements the public housing programme and maintains a Waiting List (WL) of PRH applicants, with the target to maintain the average waiting time (AWT) at around three years for general applicants (excluding non-elderly one-person applicants under the Quota and Points System (QPS)) and at around two years for elderly one-person applicants.

6.4 As at 30 June 2013, there were about 118 700 general applicants and 115 600 non-elderly one-person applicants under the QPS on the WL for PRH. The AWT for general applicants and elderly one-person applicants were 2.7 years and 1.5 years respectively.

6.5 The Steering Committee is aware of the mounting challenges faced by the HA in maintaining the AWT target since the number of PRH applicants on the WL continues to increase under the current tight supply of PRH units, and it takes time to make available new supply of PRH units. The Steering Committee indicates concern about the possibility of the AWT departing from the target and considers that the AWT target underlines the Government's determination to provide affordable rental housing to the grassroots. Hence, the Steering Committee **recommends that the Government should address the issue and strive to maintain the AWT target, despite the possibility of occasional departure from the target**.

Review of Public Rental Housing Related Policies

Quota and Points System

6.6 General information about the QPS and the Steering Committee's recommendations on how the QPS could be enhanced to better address the housing needs of non-elderly singletons over the age of 35 have already been set out in Chapter 5.

6.7 The Steering Committee observes that among the 115 600 QPS applicants as at 30 June 2013, 67% (or 77 700 persons) were aged 35 or below. The Steering Committee further observes that, according to the HA's 2012 Survey on WL Applicants for PRH, among the non-elderly one-person applicants aged 35 or below on the WL for PRH, 34% were students when they applied for PRH, 47% of them had post-secondary or above education attainment, and 33% were PRH tenants.

6.8 The Steering Committee notes that QPS applicants on the WL who are aged 35 or below have a relatively higher chance of upward mobility. In particular, for those who registered when they were students, they would most likely earn an income exceeding the WL income limit after graduation. The Steering Committee considers that the limited PRH resources available should be reserved for people with relatively greater need for assistance and therefore **recommends the HA to develop a mechanism to review the income and assets of QPS applicants and to conduct regular reviews accordingly, in order to remove applicants who are no longer eligible from the WL**. This will enable the HA to assess the demand of PRH from non-elderly one-person applicants more accurately.

> ***Question 15***
> What are your views on the recommendation to develop a mechanism to regularly review the income and assets for QPS applicants in order to remove ineligible applicants from the WL?

Well-off Tenants Policies

6.9 The HA's Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA) are commonly referred to as the "Well-off Tenants Policies". Under the Well-off Tenants Policies, households living in PRH for ten years are required to declare their household income and thereafter biennially. Those with a household income exceeding the prescribed income limits (see Table 6.1) have to pay 1.5 times or double net rent plus rates as appropriate. PRH households with total household income and net assets value both exceeding the prescribed income and asset limits (see Table 6.2) are required to vacate their PRH flats. These families are given one year to arrange to move out of PRH, during which time they are charged the equivalent of full market rent.

Table 6.1 Subsidy Income Limits under the HSP with effect from 1 April 2013

Household Size	Subsidy Income Limit (per month) (with effect from 1 April 2013)	
	Households with income in the following ranges are required to pay 1.5 times net rent plus rates	*Households with income exceeding the following limits are required to pay double net rent plus rates*
1 person	\$17,761 - \$26,640	\$26,640
2 persons	\$27,501 - \$41,250	\$41,250
3 persons	\$36,621 - \$54,930	\$54,930
4 persons	\$44,281 - \$66,420	\$66,420
5 persons	\$50,721 - \$76,080	\$76,080
6 persons	\$56,801 - \$85,200	\$85,200
7 persons	\$63,261 - \$94,890	\$94,890
8 persons	\$67,621 - \$101,430	\$101,430
9 persons	\$75,701 - \$113,550	\$113,550
10 persons or more	\$79,481 - \$119,220	\$119,220

Table 6.2 Income and net assets limits under the SRA with effect from 1 April 2013

Household Size	**Income Limits (per month)** (three times the 2013-14 WL Income Limit)	**Net Assets Limits** (84 times the 2013-14 WL Income Limit)
1 person	$26,640	$750,000*
2 persons	$41,250	$1,160,000*
3 persons	$54,930	$1,540,000*
4 persons	$66,420	$1,860,000
5 persons	$76,080	$2,140,000
6 persons	$85,200	$2,390,000
7 persons	$94,890	$2,660,000
8 persons	$101,430	$2,850,000
9 persons	$113,550	$3,180,000
10 persons or more	$119,220	$3,340,000

* The net assets limits for small households at sizes of one-person to three-person with all members aged over 55 are the same as that of a four-person household.

6.10 According to the Housing Department (HD)'s administrative records, among the total of some 710 200 PRH households under the HA as at 31 March 2013, 18 109 households were paying 1.5 times rent; 2 321 households were paying double rent; and 15 households were paying market rent. These "well-off tenants" account for about 3% of the total PRH households.

6.11 There have been divergent views in the community on the Well-off Tenants Policies. On the one hand, some call for scrapping of the Well-off Tenants Policies on grounds that –

(a) the Well-off Tenants Policies may induce members of PRH households to split from their existing households in order to maintain the family's PRH tenancy without paying additional rent. This may involve asking grown-up children to move out of PRH (or deleting their names from the household registration of the PRH tenants), while leaving the elderly members to stay in the PRH units. This is inconsistent with the Government's policy to encourage younger members of a family to look after the elderly; and

(b) tightening up the Well-off Tenants Policies may further drive tenants to the private housing market, hence unnecessarily creating additional demand for private rental housing.

6.12 On the other hand, in view of the pressure on the lengthening WL and the increasing AWT, many people in the community consider that the Well-off Tenants Policies should be maintained, or even tightened up, in order to better utilize scarce PRH resources, increase turnover and to free up units for reallocation to those on the WL who have more pressing needs for PRH. For example, there are views that the HA should critically examine whether or not to maintain the current arrangement under which better-off tenants should move out of PRH only when both their income and asset levels exceed the limits, or when either their income or asset level exceeds the respective limits. Beyond this, there are views that some of the existing declaration arrangements, such as the initial income declaration period (currently ten years after in-take into PRH) and the subsequent income and asset declaration period (currently every two years after tenants are required to declare their income) may need to be reviewed. There are also suggestions that apart from the existing criteria on income and assets limits, further criteria should be introduced. For instance, tenants should be required to vacate their units if their income exceeds a certain threshold, regardless of their asset level.

6.13 The Steering Committee has taken note of these divergent views in the community and the arguments both for and against the Well-off Tenants Policies. The Steering Committee further notes that there are already incentives to encourage better-off tenants to purchase Home Ownership Scheme (HOS) flats, thus freeing up their PRH units. For example, the HA reserves a higher proportion of HOS flats in each sales exercise for Green Form applicants. They are also given priority in flat selection. In addition, Green Form applicants may purchase HOS flats with premium not yet paid in the HOS Secondary Market. Taking into account all the relevant considerations, the majority of Members consider that the Well-off Tenants Policies should be maintained, but **recommend the HA to consider further reviewing and updating the Well-off Tenants Policies**.

> ***Question 16***
> Do you think that the Well-off Tenants Policies should be reviewed and updated (by, for example, shortening the initial income declaration period and the subsequent income and asset declaration period; requiring tenants to move out of PRH when either their income or asset level exceeds the respective limits; or setting an additional criterion on top of the existing income and asset limits criteria to require tenants to vacate their units when their income exceeds a certain threshold, regardless of their asset level)?

Under-occupation Policy in PRH Estates

6.14 Under the existing policy, the allocation standard of PRH flats is no less than 7 m^2 of internal floor area (IFA) per person as far as resources permit. In practice, the allocation standard in recent years has been relaxed. As a matter of fact, over the past ten years, the actual IFA per person of PRH tenants (including those living in estates covered by the Tenants Purchase Scheme) has been gradually increased to 13 m^2. To rationalize the use of public housing resources, the HA has put in place a policy of under-occupation with prescribed standards to require households with excessive living space, which may have resulted from deletion of family members for one reason or another, to move to another PRH flat of a more appropriate size. The above policy is necessary in order to ensure that limited PRH resources could be used to meet the housing needs of an increasing number of PRH applicants.

6.15 The existing under-occupation standards are set out in Table 6.3 below. Nevertheless, the HA currently adopts a step-by-step approach to deal with prioritized under-occupation cases with living space far exceeding the prescribed standards, (i.e. 34 m^2 for one-person households and 68 m^2 for two-person households, etc.) and without elderly or disabled family members.

Table 6.3 Existing under-occupation standards for PRH

Household size (person)	**1**	**2**	**3**	**4**	**5**	**6**
Under-occupation Standard (IFA in m^2)	>25	>35	>44	>56	>62	>71

6.16 As incentives, the HA currently offers those prioritized under-occupied households a total of four housing offers in the residing estate or an estate in the same District Council constituency, Domestic Removal Allowance, and opportunity for transfer to new estates subject to availability of housing resources. If the households refuse all the four housing offers without justifiable reasons, notices-to-quit would be issued to terminate the tenancies.

6.17 Apart from ensuring the efficient use of PRH resources, the HA recovers bigger flats, mainly one-bedroom flats, through the under-occupation policy for reallocation to families in genuine need. In this regard, the HD resolved an average of 3 700 cases per year from 2007-08 to 2012-13. Among them, some 1 000 cases involved transfers to smaller flats.

6.18 The Steering Committee considers that the under-occupation policy is important to ensure the rational allocation of PRH resources and therefore concurs with the new arrangements recently endorsed by the HA to handle under-occupation cases, which will take effect from October 2013. Specifically, the prioritized under-occupation threshold for one-person households will be tightened to 30 m^2 per person, i.e. a 20% allowance as compared to the prevailing under-occupation standard of 25 m^2. Riding on this, the revised thresholds for different family sizes are as follows –

Table 6.4 Revised prioritized under-occupation thresholds with effect from October 2013

Household size (person)	**1**	**2**	**3**	**4**	**5**	**6**
Prioritized under-occupation thresholds (IFA in m^2)	>30	>42	>53	>67	>74	>85

In line with the WL mechanism, a maximum of three housing offers instead of four will be provided to prioritized under-occupied households. On the other hand, taking into account the practical circumstances of the disabled and the elderly, households with disabled members or elderly members aged 70 or above will be excluded from the under-occupation list.

6.19 In furtherance of the HA's efforts in this respect, the Steering Committee considers that a two-pronged approach could be considered. Specifically, the Steering Committee **recommends that in addition to the existing Domestic Removal Allowance, the HA can consider offering say, a three-month rent waiver to under-occupied households as a further incentive for them to move to smaller flats.** The Steering Committee also **recommends the HA to formulate a programme for handling the under-occupation cases**, since this measure will facilitate the release of larger flats to WL applicants or to relieve overcrowded tenants.

Question 17

What are your views on the recommendation for the HA to further enhance its under-occupation policy by providing incentives for under-occupied households to move to smaller flats on the one hand, and stepping up its action against under-occupation cases on the other?

Overcrowding Relief Arrangements

6.20 Under the prevailing allocation policy, the HD arranges allocation of flats of an appropriate size to PRH applicants according to their family sizes and the prescribed allocation standards. Households are defined as overcrowded if the IFA in the flats are less than 5.5 m^2 per person, subsequent to addition of family members due to marriage, births or family members settling in Hong Kong from elsewhere, etc.

6.21 Overcrowded families can apply through the Territory-wide Overcrowding Relief (TWOR) Transfer Exercise for relocation to larger flats. Those families with IFA below 7 m^2 per person can apply for the Living Space Improvement Transfer Scheme (LSITS) to improve their living conditions. The HD arranges about one to two TWOR exercises and one LSITS exercise each year, subject to the availability of housing resources. Specifically, flat selection priority of the eligible applicants is determined based on the order of a higher living density, larger household size and longer residence. Balloting will be conducted if the above three conditions are the same. Eligible applicants with ten years of PRH residence or above may select flats in any districts.

6.22 The number of overcrowded PRH families in 2001 was 18 000. This figure dropped to 4 600 as at March 2007, and further to 3 200 as at March 2013 as a result of the various TWOR and LSITS exercises over the years. The Steering Committee appreciates the efforts of the HA to improve the living conditions of the PRH tenants by providing transfer opportunities to overcrowded households and notes that as at end March 2013, the average IFA of the existing tenants in PRH estates was 13 m^2. The Steering Committee also notes that in some cases, the overcrowded households may refuse the HA's offer for transfer as they prefer to stay close to their places of work and study. As regards the suggestion to further relax the existing overcrowding standard, the Steering Committee considers that while this could meet the aspiration of existing PRH households to enhance their living conditions, it would inevitably consume already limited PRH resources at the expense of applicants on the WL and affect their chance of PRH allocation. Against the backdrop of the rising pressure in meeting the AWT target for general WL applicants, the Steering Committee **recommends that the HA should be cautious in striking a balance between PRH tenants who are already enjoying public housing benefits and WL applicants who are unable to afford private rental accommodation and are still awaiting PRH offers**.

> ***Question 18***
> What are your views on the relative priority between allocating PRH units to WL applicants and further relaxing the standard for relieving overcrowded PRH households in order to improve sitting tenants' living environment?

Measures to Tackle Abuse of PRH

6.23 The HD carries out rigorous investigations into occupancy-related abuse cases by randomly selecting tenants from PRH households for investigation, as well as following up on suspected abuse cases referred by frontline management and the public. In 2012-13, the HD investigated some 8 700 randomly selected occupancy-related cases and suspected abuse cases. 490 PRH flats were recovered.

6.24 To detect suspected non-occupation cases, the HD commenced in January 2011 an 18-month Taking Water Meter Readings Operation in all PRH Flats carried out by security guards. The HD has conducted checks or rigorous investigation into some 9 400 cases of zero or low water consumption under the Operation. Up to the end of March 2013, some 1 100 PRH flats were recovered as a result of this initiative.

6.25 Apart from the above, in 2011-12, the HD randomly selected some 2 000 cases from various categories of high risk tenancies (such as new intake households, singleton tenancies and singleton households allocated through the Express Flat Allocation Scheme (EFAS)[1]) to detect and deter tenancy abuses. Subsequently, some 100 suspected tenancy abuse cases were uncovered. Rigorous checks on some 5 900 randomly selected and suspected cases of income/assets declaration of PRH tenants under the Well-off Tenants Policies were also conducted in 2012-13. Some 700 suspected false statements were detected in these cases.

6.26 The Steering Committee supports the efforts of the HA to detect and deter PRH tenancy abuse and to step up its efforts to tackle PRH tenancy abuse given the rising pressure from the WL, so as to recover flats for reallocation to those in genuine need. The Steering Committee **recommends the HA to allocate additional resources in order to implement further measures to detect and tackle tenancy abuse cases**.

[1] The EFAS is launched in accordance with the housing resources available and applicants are allowed to select flats amongst those offered under the Scheme. Flats offered for selection under the EFAS are mostly less popular ones. Eligible WL applicants may have an earlier chance to be allocated PRH units through the EFAS. Some flats are offered with rent reduction periods.

7 ROLE OF VARIOUS HOUSING DELIVERY AGENTS

Chapter 7

ROLE OF VARIOUS HOUSING DELIVERY AGENTS

The Private Sector

7.1 The private sector has always been a major provider of housing in Hong Kong. As at end March 2013, about 54% of households were living in private housing. Private residential units constitute about 56% of the total housing stock in Hong Kong. They are mainly supplied by real estate developers in the private sector using either existing land or new land made available by the Government through the land sale programme. The prices and rents of private residential units are determined by the prevailing property market situation, which is influenced by a host of factors including supply and demand, as well as the general economic and financial circumstances.

7.2 The private sector had in the past contributed to the provision of subsidized housing for sale through the Private Sector Participation Scheme (PSPS) introduced in 1978 as a supplement to the Home Ownership Scheme (HOS). Under the PSPS, the Government offered sites by tender to private developers to build flats according to requirements laid down in a Technical Schedule. The Technical Schedule stipulated the technical requirements such as the minimum room dimensions, room size, number of flats per floor, quality of fittings and fixtures etc. Under the lease of the PSPS, the price of flats offered was pre-determined and had to be sold to purchasers nominated by the Hong Kong Housing Authority (HA). Purchasers were subject to the same set of eligibility criteria and resale restrictions as were applicable to subsidized sale flats sold under the HOS.

7.3 The PSPS allowed the developers a free-hand to develop the layout of the projects so as to fully capture and utilize the potentials of the sites. Experience had shown that although the PSPS had the merit of tapping private market resources to help supplement the supply of subsidized flats, there were great variances among different developers in terms of the quality of their work. The situation gradually improved following more stringent supervision of the developers by the HA. The PSPS was terminated following the repositioning of the Government's housing policy in 2002.

7.4 In addition to the PSPS, the Government introduced a Mixed Development Pilot Scheme in 1997, under which successful tenderers of the relevant residential sites were required to hand over a specified proportion of flats within their development to the Government for sale to eligible purchasers at designated prices. The merit of this Pilot Scheme was that by making use of the private developers' resources, the supply of subsidized housing would have been increased, and since the units to be sold as subsidized housing were built to the same standard as the units for private sale, the quality of design and management was expected to be better. There were two projects, namely Sham Wan Tower in Ap Lei Chau and Aqua Marine in West Kowloon Reclamation, under the Mixed Development Pilot Scheme. However, following the repositioning of the Government's housing policy in 2002, the Pilot Scheme was cancelled and the two projects which were under construction were eventually sold as private residential flats.

7.5 The Steering Committee considers that the case for more participation from the private sector should be revisited and **recommends the Government to leverage on the private sector's capacity to supplement the Government's efforts in developing subsidized home ownership projects, for instance, the Mixed Development Pilot Scheme or PSPS**. In addition, the Steering Committee also **calls on the Government to adopt new thinking in exploring ways to leverage on the private sector's capacity in order to speed up supply to meet rising demand from the public for adequate housing**.

Question 19

What are your views on the idea for the Government to invite the private sector to get involved in the provision of subsidized housing?

Hong Kong Housing Authority

7.6 The HA was established in 1973 under the Housing Ordinance (Cap. 283). Its mission is to provide affordable housing to meet the needs of households that cannot afford private rental housing. The HA currently manages 162 public rental housing (PRH) estates[1]. As at end March 2013, about 710 200 households with a total population of over two million people lived in the HA's PRH flats[2]. In addition, the HA has been providing subsidized sale flats to meet the home ownership aspiration of low and middle-income households, primarily through the HOS. As at end March 2013, about 352 000 households with a population of over 1.11 million lived in subsidized sale flats developed by the HA[3].

7.7 The HA has been the leader and the largest provider in the public housing programme in Hong Kong over the past few decades. The HA has been an innovator in estate design, construction and management in light of the Government's housing policies, thereby promoting harmony in the local community. The Steering Committee fully recognizes the efforts made by the HA in providing housing to those in need and considers that it should continue to be the primary provider of affordable housing to the public.

Hong Kong Housing Society

7.8 The Hong Kong Housing Society (HS) is an independent organization established in 1948 and incorporated by the Hong Kong Housing Society Incorporation Ordinance (Cap. 1059) in 1951. Its mission is to serve the needs of the Hong Kong community in housing and related services. The HS has been involved in various housing initiatives since its inception, including the provision of public rental units at affordable rents for low-income households, the development

[1] Including 160 PRH estates and two PRH estates with Interim Housing units.
[2] According to HA's administrative records.
[3] According to General Household Survey of the Census and Statistics Department.

of subsidized sale projects under the Flat-for-Sale Scheme (FFSS) and the Sandwich Class Housing Scheme (SCHS), as well as providing various housing loan schemes to assist the low to middle-income households to achieve home ownership. As at today, the HS operates 20 public rental estates, and has developed 20 projects under the FFSS and the SCHS. As at end March 2013, about 30 500 households with a total population of 87 900 are living in the rental units of the HS[4]. Of these, there are 1 012 "Group B" rental units with higher quality and rent level, and the income and asset limits of applicants under this category are relatively higher. There are also about 16 100 households with a population of about 48 900 living in the HS's subsidized sale flats.

7.9 The HS has also taken on the role of "housing laboratory", trying out innovative housing schemes to meet the evolving needs of the community. For instance, the HS has implemented the Senior Citizen Residence Scheme and the Joyous Living Scheme. The details of these two schemes are set out in paragraph 5.8 in Chapter 5.

7.10 To support the improvement of the environment in old and dilapidated urban areas, the HS launched the Urban Improvement Scheme in 1974 to redevelop aged buildings in disrepair, 30 projects have been completed under the Scheme so far. In 2002, the HS and the Urban Renewal Authority (URA) entered into a strategic partnership for the implementation of six urban renewal projects clustered in Shum Shui Po and Shau Kei Wan. Furthermore, the HS has implemented the Building Management and Maintenance Scheme, and various building maintenance schemes in co-operation with the Development Bureau and the URA since 2005 to improve the living quality of home owners in old buildings.

7.11 In view of the increasing demand for rental units, the Steering Committee considers that the HS should continue to be a close partner of the Government in the provision of rental units for low-income households and to play an active

---

[4] Based on the administrative records of the HS.

role in the provision of subsidized sale flats. Specifically, the Steering Committee **recommends that the Government should continue to grant suitable sites to the HS for the latter's housing projects should land resources permit**.

Urban Renewal Authority

7.12 The URA was established under the Urban Renewal Authority Ordinance (URAO) (Cap. 563) in May 2001 to replace the former Land Development Corporation (LDC) as the statutory body to undertake, encourage, promote and facilitate the regeneration of the older urban areas of Hong Kong. The URAO stipulates the framework within which the URA is to carry out urban renewal.

7.13 The mission of the URA is to carry out urban renewal. Under the URAO, the Secretary for Development may prepare from time to time an urban renewal strategy (URS). The URS was first promulgated in November 2001. The existing URS (the new URS) was promulgated in February 2011 and provides guidance on how urban renewal work should be conducted. The URA has adopted "Redevelopment" and "Rehabilitation" as its core businesses under the new URS. As at 30 April 2013, the URA has commenced 50 development projects and four preservation-cum-revitalization projects, including the 25 projects announced by the former LDC, and provided assistance to over 550 buildings under its building rehabilitation programme.

7.14 Under the new URS, in addition to URA-initiated projects, the URA can undertake owner-initiated demand-led projects and facilitate owners with the assembly of property titles for redevelopment. The Demand-led Redevelopment Project Pilot Scheme was first launched in July 2011, under which property owners could initiate redevelopment by submitting an application to the URA to invite the latter to redevelop their sites. So far, seven projects under the "demand-led" scheme have commenced.

7.15 Apart from being an "implementer", the URA plays a "facilitator" role under the new URS to help owners of buildings which have multiple-ownership assemble titles for redevelopment. The URA has set up a dedicated company to undertake related work under the "Facilitating Services (Pilot Scheme)". Since the launch of the pilot scheme in July 2011, the company has received nine applications and the qualified applications have been taken up.

7.16 The URA ploughs back any surplus from its redevelopment projects which can make a profit to support loss-making redevelopment projects as well as the other urban renewal initiatives which are not profit-making, namely, the rehabilitation, preservation and revitalization initiatives that result in deficits. Section 10(4) of the URAO requires the URA to exercise due care and diligence in handling its finances. The URS, promulgated by the Secretary for Development pursuant to section 20 of the URAO, also requires the URA to maintain a self-financing objective for its urban renewal programme in the long run.

7.17 In order to support the Government's policy objective of enhancing flat supply to the mass housing market, the URA has, since 2009, made it a requirement in its joint venture tenders for half of the flats of the respective tender sites to be of small and medium size, at about $45m^2$ per unit, as much as practicable. The URA has so far undertaken to develop two project sites itself without taking on joint venture partners so as to ensure better control of the development parameters, namely, the first Flat-for-Flat (FFF) development[5] at the Kai Tak Development Area and the Ma Tau Wai Road/Chun Tin Street Development Project which commenced in the wake of the Ma Tau Wai building collapse incident under very special circumstances. In both cases, the URA has committed to a "no frills" design with small and

[5] The FFF Scheme is applicable to domestic owner-occupiers who are affected by URA projects commenced after 24 February 2011, the date when the new URS was promulgated. The URA would provide an offer of FFF as an alternative option to cash compensation and ex gratia payment to the owner-occupiers. An owner opting for FFF will still be receiving compensation and ex gratia payment at the notional value of a seven-year old replacement unit, the only difference being that he will be entering into an undertaking with the URA to buy a new flat using the amount received. An owner opting for FFF could have a choice of "in-situ" flats in the new development or flats in the Kai Tak Development Area.

medium-sized flats to cater to the mass housing market.

7.18 Urban renewal is integral to improving the living conditions of the public. The Steering Committee **recommends that the URA be invited to explore whether it can enhance its role in the provision of housing suitable for low to middle-income households by increasing the proportion of small and medium-sized flats in its future projects**.

Facilitation of Housing Development

7.19 Apart from exploring how various housing delivery agents could play a more active role in the supply of housing units, the Steering Committee notes that the Government has been working on various fronts to speed up the housing supply process and in addressing the tight manpower supply currently facing the construction industry.

Streamlining Housing Construction Processes

7.20 The Steering Committee notes that the Financial Secretary leads the Steering Committee on Land Supply to coordinate overall plans for development and supply of land for various uses, including housing. Moreover, there is a standing mechanism for the Secretary for Transport and Housing, the Secretary for Development and the Secretary for the Environment to meet regularly to resolve issues which call for inter-bureau coordination, including issues related to housing.

7.21 At present, private building developments (including private housing projects) in Hong Kong are mainly subject to the applicable planning and buildings legislation and land leases, among other relevant laws. The Steering Committee notes that the Government has been reviewing the relevant regulatory regimes. Suitable modifications and enhancements have been made taking into consideration the aspirations of the community, as well as the changes in trade practices. While upholding the principles and policy objectives of the relevant regimes, the Government endeavours to streamline and expedite the application and approval processes.

7.22 For instance, the Planning Department (PlanD) has promulgated a Practice Note for Professional Persons No. 4/2005, setting out guidelines on how an applicant can make enquiries and discuss their development applications with relevant government departments, so as to facilitate early resolution of all technical issues before and during the consideration of the relevant applications by the Town Planning Board. The PlanD has already written to key developers and consultants in June 2013 to encourage the use of this arrangement. In September 2012, the Buildings Department (BD) issued a "Friendly Reminder on Preparation of Building Plans and Occupation Permit" for use by authorized persons to facilitate early plan approval and to reduce processing time. Additional manpower resources have been allocated to the BD in 2013-14 to strengthen services in the approval of plans and related applications for private development projects. The Lands Department is reviewing the procedures related to land grant and premium assessment with a view to facilitating land development. Furthermore, under the coordination of the Development Bureau, various departments including the PlanD are reviewing the potential of increasing the development density of residential sites as far as allowable in terms of planning. The Steering Committee supports the above approach and **recommends that the Government should continue its efforts in streamlining the housing development process in order to speed up land and housing supply**.

7.23 As far as the workflow for public housing construction is concerned, the Government and the HA adopts a pragmatic approach to expedite public housing construction. The construction of public housing (comprising PRH and HOS) involves two main stages, namely, the planning and design stage as well as the tendering and construction stage. In the past, it took around three years for the HA to complete the work in the planning and design stage. The HA is now making its best effort to compress the completion of the work at this stage to within one year as far as practicable. As for the tender and construction stage, with the continuous improvements in the construction process and the extensive use of pre-cast building technology, the construction process has already been streamlined to around four years. In other words, the **total production time,** which generally took seven years in the past, **have been shortened to around five years where possible** in order to expedite the supply of public housing to meet the aspirations of the public. Since the time saved is achieved mainly by condensing the programme in the preparatory and planning stage instead of compressing the construction programme, the HA manages to maintain the quality without compromising site safety.

7.24 As in the case for private development projects, HA projects have to comply with relevant statutory requirements in order to secure the necessary zoning and planning approvals. Notwithstanding the measures taken to speed up the planning and construction processes, the key to prompt delivery of public housing hinges on whether the preparatory stage can be condensed, including whether sites which have been properly zoned for residential use can be secured; and whether the sites have been resumed, cleared and formed, and with suitable provision of infrastructure. It is also important to secure support of the District Councils and the local residents.

Manpower Resources in the Construction Industry

7.25 There has been continuous increase in the construction output in recent years. Taking the Government’s public works as an example, the capital works expenditure increased from \$20.5 billion in 2007-08 to about \$70 billion in 2013-14. Over the next few years, the capital works expenditure is expected to exceed \$70 billion per year. As regards manpower in the construction industry, the number of registered construction workers increased by around 40% from about 225 000 as at end 2007 to about 314 000 in April 2013. According to the Census and Statistics Department, the overall unemployment rate of the construction industry retreated from the peak of 12.8% during February to April in

2009 (i.e. after the financial tsunami) to 5.6% in the second quarter of 2013, which was far below the average rate of 10.2% for the past ten years (i.e. from 2003 to 2012). On the other hand, based on the information provided by the Construction Industry Council (CIC), the ratio of total gross value of construction works between civil engineering construction projects and new housing projects was about 25:75 in 2007-08. In 2012-13, the relevant ratio rose to around 40:60. At present, the average age of registered construction workers is about 46 and 40% of them are aged 50 or above. In addition to the acute ageing problem, the construction industry is also facing the problems of increasing manpower demand and skill mismatch.

7.26 As regards actions to deal with the manpower situation in the construction industry, the Steering Committee notes that since 2008-09, the Development Bureau has been proactively collaborating with the construction industry to address the manpower issues. Being the industry coordinating body, the CIC provides manpower training and trade testing for the industry. A total of $320 million was secured in 2010 and 2012 by the Development Bureau to support the CIC to enhance the training for construction personnel and to strengthen promotion and publicity activities in order to attract more people, especially youngsters, to join the construction industry.

7.27 As a result of these joint efforts, from January 2009 to May 2013, more than 8 000 trainees participated in the various training courses for skilled workers organized by the CIC. Amongst them, about 3 000 trainees joined the Enhanced Construction Manpower Training Scheme (ECMTS), of which about 55% were aged below 35, indicating that more young people were joining the industry. The ECMTS is a major initiative launched with the objective to train about 6 000 skilled workers by 2014. The promotion and publicity activities held have also generated good results, with more young people willing to join the construction industry. The image tracking surveys conducted by the Development Bureau reveal that the percentage of young people who would consider joining the construction industry increased from 7.9% in the first survey conducted before the launch of the major publicity campaign "Build Up" in early 2011, to 25.3% in the fourth survey conducted in December 2012.

7.28 In the long term, the forecasted manpower demand can be largely met through a three-pronged approach of training, re-training of local workers and attracting new entrants. However, if a particular trade faces a surge in demand in the short term but cannot be fully and timely met by recruiting and training skilled workers, it may still face temporary manpower shortage.

7.29 The Steering Committee notes the efforts of the Government and the CIC to attract new entrants to the construction industry and in manpower training. It **recommends the Government to continue to monitor the situation and introduce appropriate measures in consultation with the CIC in a timely manner in order to ensure sufficient delivery capacity of the construction industry for housing development**.

> ***Question 20***
> To speed up housing supply, what further efforts do you think the Government could make to facilitate housing development and to increase manpower supply in the construction industry?

8 MEASURES TO INCREASE HOUSING SUPPLY

Chapter 8

MEASURES TO INCREASE HOUSING SUPPLY

Overview

8.1 As mentioned in earlier chapters, the crux of our housing problem lies with the supply-demand imbalance. To achieve the long term goal of affordable housing and to meet the long term housing demand as projected in Chapter 4, it is necessary to increase housing land supply.

8.2 In the past, reclamation was an important source of land supply in Hong Kong. Reclaimed land amounts to over 6 800 hectares (ha). It was on reclaimed land that new towns such as Sha Tin, Tuen Mun, and Tseung Kwan O were built. About 27% of our population is accommodated on reclaimed land. Reclamation has also facilitated Hong Kong's economic development by providing land for 70% of our office floor space and the development of important infrastructural facilities such as the Hong Kong International Airport. Apart from reclamation, rezoning land and land resumption are also means used to create land for development purposes.

8.3 These conventional means of land supply are however becoming increasingly controversial. For example, the community's aspiration for a greener and more sustainable living environment has greatly challenged the traditional role of reclamation as a stable source of land supply. The findings of the Focus Group Study commissioned by the Steering Committee revealed that the general public has reservations over the use of reclamation as a means to resolve the land shortage problems. There was also a clear message that Hong Kong people generally wish to preserve our country parks despite the shortage of land supply. While increasing plot ratio has often been deployed to increase short term housing supply, there has also been public concern over the long term effects of high development density, particularly the "wall effect" of high rise residential buildings on the urban environment.

8.4 The Steering Committee appreciates the community's concern about these issues, but at the same time is also most conscious of the pressing and serious land supply problems facing Hong Kong. While the Government has provided sufficient land to address the estimated public and private housing demand for the next three to four years (see paragraph 8.6 below), it still has to face huge challenges in the medium and long term to meet the new housing supply target now recommended by the Steering Committee (see Chapter 4). In fact, if the community cannot reach a consensus on how to increase land supply, the long term housing supply beyond the next ten years in Hong Kong will be difficult to achieve, let alone making available additional land to create more spacious and less dense living environment in the long run.

8.5 In addition, even if the community supports some of the large-scale land supply proposals (e.g. reclamation and development of New Development Areas (NDAs), as detailed below) which are more controversial, given the lead time required for housing construction and the provision of supporting infrastructure, the land concerned may not be available to contribute to the new housing supply within the next ten years. Therefore, there is also some urgency to reach a consensus on long term measures to create new land. At the same time, it is necessary to adopt a multi-pronged approach to increase land supply in the short to medium term. For instance, we may need to resort to increasing the plot ratio of existing land as a short term measure to address the current acute shortage of land supply in order to achieve the housing supply target in the next ten years. Given the fact that any significant increase in plot ratio will have far-reaching implications for the overall planning of an area, the Steering Committee considers that, **in order to address the root of our housing problem, the community as a whole will have to make some difficult choices and may need to accept trade-offs**. The Steering Committee also **urges the Government to**

continue the review of the procedures and approval requirements in relation to planning and land administration, in order to tie in with the general direction of increasing land and housing supply.

The Government's Efforts in Housing and Land Supply

8.6 The Steering Committee notes that the Government has already secured sufficient land for the construction of 79 000 public rental housing (PRH) units from 2012-13 to 2016-17 and 17 000 Home Ownership Scheme (HOS) flats over the four years starting from 2016-17. Based on the land supply projection as at end June 2013, there will also be a projected supply of some 70 000 units in the first-hand private property market in the next three to four years. The Chief Executive has announced a host of initiatives to increase housing land supply in his 2013 Policy Address. The Steering Committee notes these initiatives, the latest progress of which is set out below.

Short to Medium Term Measures

General Review of Plot Ratio and Building Height Restrictions

Increasing Development Density

8.7 To optimize the use of scarce land resources, the Planning Department (PlanD) has enhanced its efforts to review the development intensity of existing sites for private housing developments in order to increase flat supply as far as allowable in planning terms. In tandem, the development intensity of public housing sites and that assumed under major planning and engineering studies have also been reviewed. In the process, the PlanD carefully assesses how the development potential of a site can be optimized, taking into account practical considerations such as the traffic and infrastructure capacity in the area, the character and development intensity of the neighbourhood, and the possible environmental, visual and air ventilation impact on the area.

8.8 To enhance flat production, planning applications seeking approval from the Town Planning Board (TPB) for higher residential development density will also be considered, taking into account the relevant planning considerations. For example, the plot ratio of Hung Shui Kiu Area 13 and Fo Tan PRH projects as well as the site area of the Fo Tan site had been increased after review, resulting in a total gain of about 4 000 PRH flats.

Relaxing or Lifting the Pok Fu Lam and Mid-Levels Moratorium

8.9 The Government is considering relaxing or lifting the administrative moratorium currently in force to restrict new land sale or lease modifications in these two areas, and will conduct a detailed assessment of the potential impacts (such as the impact on traffic and population density) before making a decision.

> ***Question 21***
> Given the acute shortage of housing land supply, are you prepared to accept trade-offs between an appropriate increase in plot ratio to enable more flat production and the possible negative impacts on traffic, population density and the environment?

Land Use Reviews/Studies

Review of Government, Institution or Community Sites

8.10 The PlanD has completed a review of sites zoned Government, Institution or Community (G/IC) and other government sites. Without compromising the provision of community facilities, 36 sites, which involve a total of 27 ha of land, were identified to be suitable for residential development. It is estimated that about 11 900 public and private residential flats could be produced if all these sites are used for housing development. Among the 36 sites, 16 had been zoned or were going through town planning procedures for rezoning for residential use as at end June 2013. The PlanD will accord priority to process the rezoning of the remaining sites. The Government will continue to look for other G/IC and government sites that may have potential for residential and other uses in higher demand in the community.

Review of Green Belt Sites

8.11 The PlanD reviews sites in Green Belt (GB) areas that are no longer serving their intended function with a view to identifying suitable areas for housing development. In its Stage 1 review, the PlanD has examined GB areas in the New Territories that are devegetated, deserted or formed. 13 sites with a total area of about 57 ha are considered suitable for residential development. It is estimated that about 23 000 residential units can be produced if all these sites are used for housing development. The PlanD is expediting the relevant rezoning process, whereby one of these sites is now undergoing the statutory planning procedures for rezoning for residential use. As for the remaining 12 sites, it is estimated that the rezoning procedures for nine of them will be completed by late 2014, and the rezoning of the other three sites will be completed as soon as possible afterwards. The PlanD is also carrying out the next stage of the GB review to identify more suitable housing sites.

Review of Industrial Sites

8.12 The PlanD has conducted three review exercises of industrial land since 2000. In the last exercise conducted in 2009, some 60 ha of land was identified as suitable for housing and other land uses, among which some 30 ha on 16 sites were recommended for residential use. Among them, 13 (eight are privately owned and five are owned by the Government) have completed or are undergoing the rezoning process. Some 14 600 units could be provided if all the 13 sites are developed or redeveloped. For the remaining three privately-owned industrial sites, it is estimated that some 5 800 units could be provided if all of them are developed or redeveloped. With a view to examining the possibility of converting more industrial sites to other uses, including residential use, the PlanD commenced another review exercise in late March 2013, which is expected to be completed in 2014.

Conversion of Vacant School Premises for Residential Use

8.13 The PlanD's review of the first batch of 100 vacant school premises has been completed. 18 vacant school premises, covering a total area of about 5.17 ha, are considered suitable for residential use. It is estimated that about 1 900 public and private residential units[1] can be produced. Rezoning is required for three sites and the process is expected to be completed by 2014. The PlanD is now reviewing the second batch of 68 vacant school premises to identify more sites suitable for residential development.

Redevelopment of Aged Public Rental Housing Estates

8.14 The Hong Kong Housing Authority (HA) introduced the Comprehensive Structural Investigation Programme (CSIP) in September 2005 with the aim of extending the useful life of buildings. The structural conditions of old PRH estates completed in and before 1980 are assessed based on two pillars, i.e. structural safety and cost-effectiveness of ongoing maintenance. Pursuant to the CSIP findings, the HA announced the redevelopment of So Uk Estate and Tung Tau Estate Block 22. In addition, under the HA's "Refined Policy on Redevelopment of Aged Public Rental Housing Estates" (the Refined Policy) effective since November 2011, estate redevelopment will be considered on the basis of structural safety, cost effectiveness of necessary repair works, building potential, and availability

[1] The flat number excludes the seven sites proposed for village type development.

of suitable decanting resources[2]. The redevelopment of Pak Tin Estate was announced under the Refined Policy. The HA will achieve a very effective net gain in flat production upon redevelopment in So Uk and Pak Tin Estates of about 1 700 flats (+32%) and 2 100 flats (+60%) respectively.

8.15 Taking into account the four ongoing committed redevelopment projects (Lower Ngau Tau Kok Phase 2 under the Comprehensive Redevelopment Programme, So Uk, Tung Tau Block 22, and Pak Tin Estates above), these projects will contribute about 14 000 new flats after redevelopment.

8.16 The HA is reviewing the redevelopment potential and the ongoing CSIP findings of other aged estates with a view to identifying more redevelopment opportunities, in particular those estates promising a high buildback so as to increase the flat production in the future.

8.17 Separately, the Hong Kong Housing Society (HS) will also consider redeveloping its estates to make more effective use of land resources and increase the number of rental units, and has commenced the redevelopment of Ming Wah Dai Ha in Shau Kei Wan.

8.18 The Steering Committee **supports the HA and the HS to actively consider redevelopment of aged estates in accordance with their established policies and criteria**.

Longer Term Measures

Reclamation and Rock Caverns Development

8.19 To build up a land reserve, the Government has to press

[2] The HA will refer to the specific site characteristics and developable area in the vicinity of individual estates and conduct a series of detailed studies including technical and environmental impact assessments, local master planning, urban design and development intensity, etc. Only after the completion of these assessments can the HA eventually confirm the feasibility of redeveloping an estate and draw up the implementation programmes.

ahead with reclamation outside Victoria Harbour while endeavouring to keep the impact on the environment and marine ecology to a minimum. In accordance with the site selection criteria formulated after the Stage 1 public engagement, the Civil Engineering and Development Department (CEDD) has identified five possible near shore reclamation sites[3] for further consideration. They can provide a total of about 600 ha of land. The CEDD launched the three-month Stage 2 public engagement on 21 March 2013, and will conduct technical studies on suitable sites afterwards. Apart from the near shore reclamation sites, the CEDD will also study the feasibility of building artificial islands in the central waters between Hong Kong Island and Lantau. If supported by convenient and cost-effective transport infrastructure, the artificial islands can be developed as new development areas in the long term. The artificial islands and the near shore reclamation sites can provide a total of 2 000 to 3 000 ha of land for various uses.

8.20 Reclamation aside, rock cavern developments are viable sources of land supply. The Drainage Services Department (DSD) is studying the feasibility of relocating the Sha Tin Sewage Treatment Works to caverns to release about 28 ha of land for housing and other uses. The DSD is also conducting a public engagement exercise to garner support for the relocation proposal and aims to conclude the study in 2014. In addition, the CEDD proposes three potential public facilities, i.e. Diamond Hill Fresh Water and Salt Water Service Reservoirs, Sai Kung Sewage Treatment Works and Sham Tseng Sewage Treatment Works, for relocation to caverns to provide about six ha of precious land in built-up areas. These proposals will also be covered in the Stage 2 public engagement mentioned in the preceding paragraph.

[3] The five sites are Sunny Bay and Siu Ho Wan in North Lantau, Lung Kwu Tan in Tuen Mun, Southwest Tsing Yi, and Ma Liu Shui near the estuary of Shing Mun River.

Major Development Areas

New Development Areas

8.21 NDAs are a major source of land supply to meet the long term housing needs, as well as other social and economic development needs of Hong Kong.

8.22 The Development Bureau announced on 4 July 2013 the result of the planning and engineering study for the North East New Territories (NENT) NDAs. The Government will proceed with developing the Fanling North and Kwu Tung North NDAs as an extension of the Fanling/Sheung Shui New Town in accordance with the proposed plan. The extension will provide 333 ha of developable land, including land for some 60 700 housing units, with public housing accounting for about 60% of them. Due to the absence of rail links and other supporting infrastructure, the Ping Che/Ta Kwu Ling NDA was formerly planned for lower density residential development and special industries. However, the Government has further reviewed the situation and considers that new opportunities that might be brought about by the development of new railway infrastructure should be explored in order to optimize the development potential of the NDA. To this end, the re-planning of Ping Che/Ta Kwu Ling NDA would be incorporated into the new study on New Territories North. The relevant study is expected to commence in 2014. This will also encompass the Fanling Golf Course and the Chief Executive's Fanling Lodge.

8.23 For the Hung Shui Kiu (HSK) NDA, a Preliminary Outline Development Plan has been formulated by the Government for public engagement. The NDA would provide about 446 ha of developable land, including about 145 ha of housing land which could provide about 60 000 residential units (with public housing accounting for about 50% of them).

8.24 Land in the NENT NDAs and HSK NDA is expected to come on stream and be available for development from 2022-23 onwards.

Review of Deserted Agricultural Land in North District and Yuen Long

8.25 To make more gainful use of agricultural land which is currently used mainly for industrial purposes, temporary storage or is deserted, the Government is reviewing a total of about 257 ha of such sites in North District and Yuen Long, with a view to identifying more sites suitable for housing development as soon as possible. Four areas in Kwu Tung South (KTS), Yuen Long South (YLS), Fanling/Sheung Shui Area 30 (FSS) and Kong Nga Po (KNP) have been identified for planning and engineering studies to ascertain the feasibility of and the scope for residential development. The studies on the KNP, YLS and KTS sites have already commenced for completion by 2014-15, while the study on the FSS site will be conducted in two phases, with Phase 1 to commence in the third quarter of 2013 for completion by early 2014 and Phase 2 to commence upon review of the findings of Phase 1 study. According to the preliminary assessment, some of the sites are anticipated to be available for housing development in 2020 at the earliest.

Tung Chung New Town Extension and the Development of Lantau Island

8.26 With the anticipated completion of the Hong Kong-Zhuhai-Macao Bridge and the Tuen Mun-Chek Lap Kok Link, Lantau Island, particularly Tung Chung, is poised to become an important transport hub to overseas destinations and the Pearl River Delta region. The PlanD and the CEDD launched the Tung Chung New Town Extension Study in January 2012 to explore the development potential and opportunities to further develop Tung Chung New Town into a more comprehensive community which can accommodate the housing, social, economic, environmental and local needs. The two-month Stage 2 public engagement commenced on 21 May 2013 and ended on 21 July 2013. According to the initial land use options, the "Livable Town" option and the "Economic Vibrancy" option for Tung Chung East could provide about 38 000 and 33 000 residential flats respectively, while Tung Chung West could provide around 15 000 residential flats. The entire study is anticipated for completion by 2014. In addition, the Government will also explore the development potential of Lantau Island in the long run.

Other Measures

Planning and Lease Modification Issues

Expediting the Implementation of Approved Projects and Streamlining Land Administration

8.27 In order to expedite flat production, the Development Bureau will speed up relevant procedures and take other corresponding measures with public interests in mind, so as to facilitate the early implementation of those planning applications approved by the TPB which are relating to residential development.

8.28 Meanwhile, the Lands Department (LandsD) is reviewing and consolidating the Practice Notes relating to approval under lease to assist the trade. The LandsD is also considering ways to further simplify lease conditions and to enhance the processing arrangements. The LandsD has been engaging stakeholders in the relevant discussions.

Development of Former Diamond Hill Squatter Areas and Quarry Sites

8.29 To expedite the development of the former Diamond Hill Squatter Areas (Tai Hom Village), as well as the former Cha Kwo Ling Kaolin Mine, former Lamma Quarry and Anderson Road Quarry, all of which do not involve land resumption, the Development Bureau will actively consider making use of private developers' capacity for development to provide the infrastructure and ancillary facilities, and construct public and private residential units thereon. These four projects are expected to provide about 27 ha of residential land for construction of about 15 000 units.

Other Sources of Housing Land

Development of the West Rail Kam Sheung Road Station, Pat Heung Maintenance Depot and the Adjoining Areas

8.30 To ensure the integrated development of the mass transportation network and residential property, the PlanD will take forward the planning for residential development above the Kam Tin South West Rail Kam Sheung Road Station and Pat Heung Maintenance Depot, with land of about 33 ha estimated to be able to provide about 8 700 flats. In parallel, a land-use review of the adjoining areas of about 110 ha is being undertaken with a view to identifying more suitable sites for housing development. The review will be completed in around the third quarter of 2013. The Government will also continue to explore vigorously the residential development potential of land along existing and planned railways.

Urban Renewal Projects

8.31 As mentioned in Chapter 7, the Urban Renewal Authority (URA) will continue to redevelop old, dilapidated private buildings, which may also contribute another source of housing supply. In the coming four years (i.e. from 2013-14 to 2016-17), the URA development projects, which cover a total area of about 4.9 ha, can provide about 4 700 flats. In addition, in the 2013 Policy Address, the Chief Executive invited the URA to forge ahead with its "demand-led" redevelopment scheme, further details of which have already been set out in Chapter 7.

Question 22

In your opinion, how should the Government strike the balance between development and conservation? What are your views on the various measures to increase housing land supply as set out in this chapter?

9 BEYOND THE NEXT TEN YEARS

Chapter 9

BEYOND THE NEXT TEN YEARS

Overview

9.1 The strategy for long term housing development extends beyond just the next ten years. Provision of adequate, safe and affordable housing requires support from all sectors of the community as well as deliberations and consensus across generations. While the Steering Committee is tasked to formulate a robust and sustainable housing strategy for the coming ten years, it also wishes to make use of this consultation exercise as a platform for the public to discuss on how policies could be enhanced to meet the housing needs within the coming ten years on the one hand, and to give further thoughts to Hong Kong's mode of development beyond the next decade on the other. The recommendations and the future development direction raised in the current review may have far-reaching implications for issues such as planning and the environment. The Steering Committee therefore calls on the community to start discussing these issues at the earliest opportunity. The Steering Committee considers the following three questions to be particularly relevant, and puts forward some initial views, which are set out below.

How Should Our New Towns be Developed?

9.2 In order to fulfill our long term housing demand as projected in Chapter 4 and beyond, it is estimated that Hong Kong will need to build the equivalent of one new town per decade, or three new towns roughly the scale of Sha Tin within 30 years. The Steering Committee considers that with the further development of Hong Kong's infrastructure, in particular the transport systems (such as the West Rail Line, Ma On Shan Line, West Island Line, the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the South Island Line (East), the Kwun Tong

Line Extension and the Sha Tin to Central Link), peripheral land parcels that were once remote, for instance rural land adjacent to the extended railway network, will have better potential for further development. That said, the Steering Committee considers that the Government should be mindful of the lessons learned in the 1990s where the then new towns (such as Tin Shui Wai) were developed. Owing to the development mode which focused primarily on residential development, it has resulted in residents living in those new towns having to travel a long way for employment opportunities and necessary community services, thereby compromising their quality of life. Such a lack of comprehensive planning resulted in a host of problems in those new towns.

9.3 To avoid recurrence of similar problems, the Steering Committee emphasizes that in future, new towns should be developed in a properly "integrated" manner. Apart from providing necessary infrastructure and adequate housing, the Steering Committee **recommends that new towns in future should broadly speaking be developed as self-sustained communities with an efficient transport network, other necessary supporting facilities, sufficient commercial/industrial activities and local employment opportunities to enable the local community to flourish**.

How Should Our Land in the Old Urban Areas be Utilized?

9.4 Apart from developing new towns through extensive land formation, housing aspirations of the public may also be fulfilled by urban renewal, where dilapidated urban areas may be revitalized with the development potential fully realized. To this end, the Steering Committee notes that the Urban Renewal Authority has adopted a new Urban Renewal Strategy in 2011, with redevelopment and rehabilitation as its core businesses.

9.5 Notwithstanding the above, the Steering Committee is of the view that **in the long run, the Government may consider relocating some non-residential utilities, such as large-scale industrial utilities, to remote areas with a view to releasing the development potential of the urban areas for housing development.** The Steering Committee understands that any such initiatives would be highly complex and considers that the Government should carefully assess their feasibility and their implications.

Are We Prepared to Accept Trade-offs in Order to Realize a More Spacious Living Environment in Future?

9.6 Despite our success in economic development, the average living space per capita in Hong Kong is smaller than that in many other major cities. There are aspirations in the community for a more spacious living environment in future. However, due to geographical constraints, we have to resort to using the various initiatives mentioned in Chapter 8 to increase land supply in order to relieve the crowded living condition in the urban area and to provide adequate housing for those in need. The Steering Committee recognizes that it will be difficult for the Government to respond to the aspirations for a more spacious living environment in the urban area (particularly in the medium term), taking into account the shortage of suitable sites for large scale housing development. Besides, in the case of private housing, the average living space per capita is also affected by many factors, including the affordability of the owners and the market situation, etc.

9.7 The Steering Committee considers that increasing land supply is the prerequisite for a more spacious living environment. Therefore, it calls on all sectors of the community to reach a consensus, so that people living in either public or private housing may enjoy a more spacious living environment in future. The Steering Committee also considers that while the Government should explore innovative means to develop new towns in a more holistic manner, members of the community should be prepared to accept that in order to enjoy a more spacious living environment, they may need to move away from the conventional urban districts. As far as public housing is concerned, the Steering Committee **recommends that subject to the provision of more land for public rental housing (PRH) developments in future, the Hong Kong Housing Authority can consider relaxing its allocation standard for PRH progressively, starting perhaps with estates in non-urban districts, so as to improve the living space of PRH tenants.**

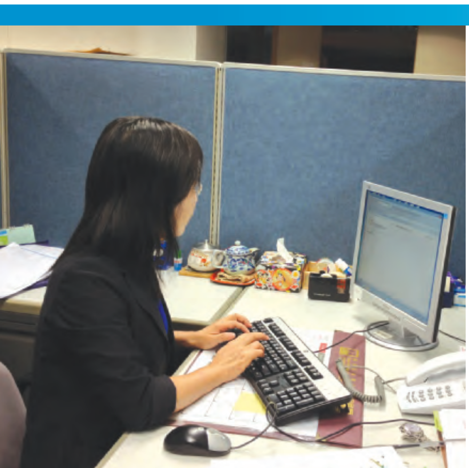
Building Consensus for the Future

9.8 Looking beyond the next decade, the Steering Committee believes that meeting the aspirations for better housing in Hong Kong will ultimately hinge on whether or not land supply can be increased through the various means detailed in Chapter 8. While the Steering Committee considers that the Government should take every effort to minimize the negative aspects arising from these initiatives, such as environmental and social impact, it recognizes that some controversial decisions will have to be made and that the community as a whole must be involved in the deliberation process. However controversial the issues may be, the community should confront the issues and be prepared to debate whether, and if so how, land supply for housing development should be increased on a long term basis with a view to reaching consensus. The community should also be prepared to make hard choices regarding the priorities of action necessary to resolve our housing problem.

9.9 The solution to our housing problem is much more than just providing a place of accommodation. It has far-reaching implications for land policies, town planning and urban renewal, population and living density, livelihood, environmental protection, ancillary facilities, etc. The Steering Committee hopes that the community can ride on the opportunity of this consultation to critically think through the direction of Hong Kong's housing development over the next few decades and offer your views.

9.10 As a final note to this Chapter, the Steering Committee wishes to point out that **if the community refrains from making tough decisions today, our future generations will have to make even more difficult decisions tomorrow**.

10 SHARE YOUR VIEWS



Chapter 10

SHARE YOUR VIEWS

10.1 This consultation document has set out the Steering Committee's considerations and recommendations on a wide range of issues. The Steering Committee would like to invite the public to comment on these recommendations. Your views and comments will be taken into account in finalizing the Long Term Housing Strategy (LTHS).

10.2 Specifically, we look forward to the community's views on the following –

(a) **Question 1** : What are your views on the proposal to adopt a supply-led strategy for the LTHS and with public housing (comprising public rental housing (PRH) and subsidized sale units) accounting for a higher proportion of the new housing production? (Chapter 3)

(b) **Question 2** : Do you have any views on the principles and methodology adopted for projecting the long term housing demand? (Chapter 4)

(c) **Question 3** : Do you have any views on the criteria used to define "inadequately housed"? (Chapter 4)

(d) **Question 4** : In addition to the major demand components as mentioned in Chapter 4, are there any other factors which you think should also be taken into account in projecting housing demand? (Chapter 4)

(e) **Question 5** : Do you have any views on the projected total housing supply target for the next ten years and the proposed public/private split for the future new housing supply? (Chapter 4)

(f) **Question 6** : Should the Government continue to support the development of elderly housing projects for the middle and high-income elderly as suggested by some in the community? If so, what sort of support should be given? (Chapter 5)

(g) **Question 7** : What are your views on the recommendation for the Hong Kong Housing Authority (HA) to increase the PRH quota for applicants under the Quota and Points System (QPS), and to allocate more points to non-elderly one-person applicants above the age of 45 (and extend the arrangement to those who aged 40 and then 35) under the QPS so that they would have a better chance of gaining early access to PRH? (Chapter 5)

(h) **Question 8** : What are your views on the recommendation for the HA to progressively extend the PRH three-year average waiting time pledge to non-elderly one-person applicants above the age of 35 in the long run (even though this might initially reduce the PRH units available for allocation to family and elderly applicants)? (Chapter 5)

(i) **Question 9** : What are your views on the idea for the HA to build dedicated PRH blocks for singletons in estates with a lower plot ratio and with sufficient infrastructural facilities, which will be provided in addition to the PRH units already committed? (Chapter 5)

(j) **Question 10** : If suitable urban sites which do not have other immediate uses are available, do you think that they should be used to provide transitional housing to those in need? (Chapter 5)

(k) **Question 11** : What are your views on the idea of introducing a licensing or landlord registration system to regulate subdivided units in residential and composite buildings? (Chapter 5)

(l) **Question 12** : What are your views on the recommendation to set aside a certain proportion in each Home Ownership Scheme (HOS) sale for singletons? (Chapter 5)

(m) **Question 13** : What are your views on the recommendation to set a minimum income/asset level for White Form applicants for future sale of HOS flats and other subsidized sale flats to improve the chance of eligible first-time home buyers with genuine housing needs? (Chapter 5)

(n) **Question 14** : There are divergent views in the community on relaunching the following schemes: (a) the Tenants Purchase Scheme; (b) providing financial assistance to first-time home buyers; and (c) providing rent subsidy and implementing rental control (including control on rent and security of tenure). What is your opinion? (Chapter 5)

(o) **Question 15** : What are your views on the recommendation to develop a mechanism to regularly review the income and assets for QPS applicants in order to remove ineligible applicants from the Waiting List (WL)? (Chapter 6)

(p) **Question 16** : Do you think that the "Well-off Tenants Policies" should be reviewed and updated (by, for example, shortening the initial income declaration period and the subsequent income and asset declaration period; requiring tenants to move out of PRH when either their income or asset level exceeds the respective limits; or setting an additional criterion on top of the existing income and asset limits criteria to require tenants to vacate their units when their income exceeds a certain threshold, regardless of their asset level)? (Chapter 6)

(q) **Question 17** : What are your views on the recommendation for the HA to further enhance its under-occupation policy by providing incentives for under-occupied households to move to smaller flats on the one hand, and stepping up its action against under-occupation cases on the other? (Chapter 6)

(r) **Question 18** : What are your views on the relative priority between allocating PRH units to WL applicants and further relaxing the standard for relieving overcrowded PRH households in order to improve sitting tenants' living environment? (Chapter 6)

(s) **Question 19** : What are your views on the idea for the Government to invite the private sector to get involved in the provision of subsidized housing? (Chapter 7)

(t) **Question 20** : To speed up housing supply, what further efforts do you think the Government could make to facilitate housing development and to increase manpower supply in the construction industry? (Chapter 7)

(u) **Question 21** : Given the acute shortage of housing land supply, are you prepared to accept trade-offs between an appropriate increase in plot ratio to enable more flat production and the possible negative impacts on traffic, population density and the environment? (Chapter 8)

(v) **Question 22** : In your opinion, how should the Government strike the balance between development and conservation? What are your views on the various measures to increase housing land supply as set out in Chapter 8? (Chapter 8)

10.3 Please send us your views and comments by email, post or facsimile on or before **2 December 2013** to –

By email : lths@thb.gov.hk

By post : Secretariat, Long Term Housing Strategy Steering Committee
1/F, Block 2
Housing Authority Headquarters
33 Fat Kwong Street
Ho Man Tin
Kowloon
Hong Kong

By facsimile : 2761 5160

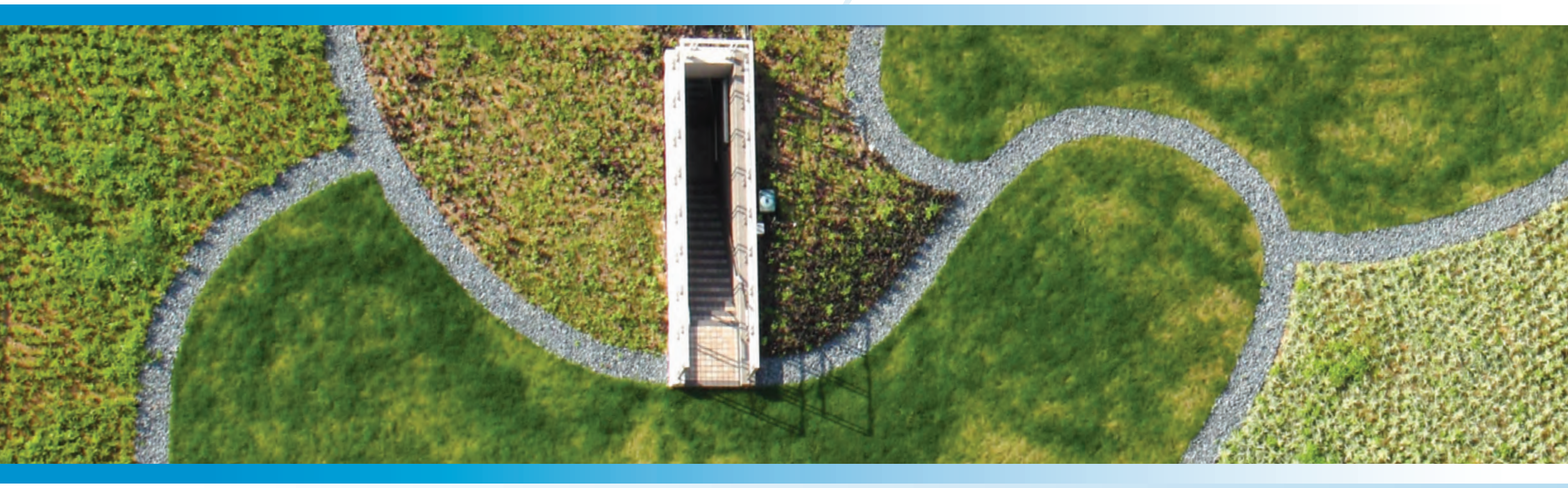
10.4 It is not necessary for members of the public to supply their personal data when providing views on this consultation document. Any personal data provided with a submission will only be used for the purpose of this consultation exercise.

10.5 The submissions and personal data collected may be passed to relevant Government bureaux and departments for purposes directly related to this consultation exercise. The Government bureaux and departments receiving the data are bound by such purposes in their subsequent use of such data.

10.6 The names and views of individuals and organizations which put forth submissions in response to the consultation document may be published for public viewing after the conclusion of the consultation exercise. The Steering Committee and relevant Government bureaux and departments may, either in discussion with others or in any subsequent report, whether privately or publicly, attribute comments submitted in response to this consultation document. We will respect the wish of individuals and organizations which submit their views to remain anonymous and will keep the views confidential in relation to all or part of a submission. However, if no such wish is indicated, it will be assumed that the sender can be named and the views can be published.

10.7 To safeguard data privacy of individuals and organizations which submit their views, we will remove the relevant data, such as residential/return addresses, email addresses, identity card numbers, telephone numbers, facsimile numbers and signatures, where provided, when publishing their submissions.

ANNEXES



Annex A

LONG TERM HOUSING STRATEGY STEERING COMMITTEE

MEMBERSHIP

Chairman: Secretary for Transport and Housing

Members: Mr. Barry CHEUNG Chun-yuen *(up to 24 May 2013)*

Mr. Horace CHEUNG Kwok-kwan

Mr. Michael CHOI Ngai-min

Professor FUNG Ho-lup

Professor Eddie HUI Chi-man

Dr. Andy KWAN Cheuk-chiu

Mr. Andrew LAM Siu-lo

Mr. LAU Ping-cheung

Mr. Fred LI Wah-ming

Professor Raymond SO Wai-man

Mr. WAN Man-yee

Mr. Augustine WONG Ho-ming

Mr. WONG Kwun

Mr. Stanley WONG Yuen-fai

Mr. Marco WU Moon-hoi

Permanent Secretary for Transport and Housing (Housing)

Permanent Secretary for Development (Planning and Lands)

Government Economist

Annex B

LONG TERM HOUSING STRATEGY WORKING GROUP

MEMBERSHIP

Chairman: Permanent Secretary for Transport and Housing (Housing)

Members: Permanent Secretary for Development (Planning and Lands)

Commissioner for Census and Statistics

Commissioner of Rating and Valuation

Director of Buildings

Director of Home Affairs

Director of Lands

Director of Planning

Government Economist

Head, Central Policy Unit

Deputy Director of Housing (Development and Construction)

Deputy Director of Housing (Strategy)

Annex C

KEY INITIATIVES TO IMPROVE THE SHORT TO MEDIUM TERM HOUSING SITUATION

I. Housing and Related Land Supply

Extending the Home Ownership Scheme Secondary Market to White Form Buyers

In response to the home ownership aspirations of low and middle-income families, the Government announced in July 2012 the Extension of the Home Ownership Scheme (HOS) Secondary Market to White Form Buyers as an interim scheme before the first batch of new HOS flats is completed in 2016-17. Under the interim scheme, 5 000 White Form buyers each year will have the chance to purchase HOS flats with premium not yet paid. A total of 66 157 applications were received. The Hong Kong Housing Authority (HA) issued approval letters to the first batch of 2 500 successful applicants in accordance with the priority list in late May 2013. Approval letters will be issued to the remaining 2 500 successful applicants in December 2013.

Sale of the Surplus HOS Flats Previously Built

2. To address the pressing home ownership needs of the community, the HA launched the sale of the remaining 832 surplus HOS flats in end March 2013. A total of 14 198 applications were received. Successful applicants have proceeded with flat selection since July.

Subsidized Sale Flats of the Hong Kong Housing Society

3. The Hong Kong Housing Society (HS) has launched the Greenview Villa as a subsidized sale project to meet the home ownership aspirations of the public. The project is estimated to be completed in early 2015. A total of around 56 000 applications were received and all the 988 units were sold. In view of the favourable response to the Greenview Villa project, the Government has set aside a site in Sha Tin for the HS to develop a similar housing project, which is expected to

provide about 700 units.

Fast-tracking Projects to Increase Public Rental Housing Supply in the Short Term

4. The HA has advanced the completion of two public rental housing (PRH) projects of about 3 400 flats (Anderson Road Site C1 and Tuen Mun Area 54 Site 2 Phase 2) by one year from 2017-18 to 2016-17, thereby increasing the total PRH production from 75 000 to about 79 000 flats in the five-year period starting from 2012-13.

Government-initiated Land Sale in the Quarterly Land Sale Programme and Abolishment of the Application Mechanism

5. It is now an established practice that the quarterly land sale programme is announced in advance. For the first quarter of 2013-14 (April to June 2013), a total of seven residential sites, which have a capacity to produce about 2 400 flats, were announced for Government-initiated sale. In addition, the Government has abolished the Application Mechanism and fully takes the lead in putting up government sites for sale.

Speeding Up the Processing of Pre-sale Consent Applications

6. Since the Chief Executive's announcement of the initiative to speed up the processing of pre-sale consent applications in August 2012, the Lands Department issued a total of 17 pre-sale consents in respect of residential developments from January to June 2013, involving a total of 9 368 units. As at end June 2013, 25 applications for pre-sale consent (involving a total of 13 398 units) in respect of residential developments were being processed.

"Hong Kong Property for Hong Kong People"

7. The Hong Kong Property for Hong Kong People policy was announced in September 2012. Two residential sites in the Kai Tak Development Area were sold in June 2013 as a pilot scheme.

II. Demand-side Management Measures

8. In response to the continuously exuberant state of the residential property market, the Government announced two new demand-side management measures on 26 October 2012, i.e. to increase the rates and extend the holding period for the Special Stamp Duty, and to introduce a Buyer's Stamp Duty on residential properties acquired by any person except for a Hong Kong Permanent Resident (HKPR). The measures aim at preventing further exuberance in the housing market; and to accord priority to HKPR buyers under the current market situation. The Stamp Duty (Amendment) Bill 2012, which gives effect to the above proposals, is being scrutinized by the Legislative Council (LegCo).

9. While the residential property market had been cooled down for a while, it turned bullish again on entering 2013. The Government announced on 22 February 2013 a new round of demand-side management measures, i.e. to increase the Ad Valorem Stamp Duty for residential and non-residential properties by doubling the duty rates; and to advance the charging of Ad Valorem Stamp Duty on non-residential property transactions in order to tally with the existing arrangement for residential properties. The Stamp Duty (Amendment) Bill 2013, which implements these measures, is being scrutinized by the LegCo.

LIST OF ABBREVIATIONS

AWT	Average waiting time
BD	Buildings Department
C&SD	Census and Statistics Department
CEDD	Civil Engineering and Development Department
CIC	Construction Industry Council
CSIP	Comprehensive Structural Investigation Programme
CSSA	Comprehensive Social Security Assistance
DSD	Drainage Services Department
ECMTS	Enhanced Construction Manpower Training Scheme
EFAS	Express Flat Allocation Scheme
FFF Scheme	Flat-for-Flat Scheme
FFSS	Flat-for-Sale Scheme
FSS	Fanling/ Sheung Shui Area 30
GB	Green Belt
G/IC	Government, Institution or Community
HA	Hong Kong Housing Authority
HD	Housing Department
HKPR	Hong Kong Permanent Resident
HKPSG	Hong Kong Planning Standards and Guidelines
HOS	Home Ownership Scheme
HS	Hong Kong Housing Society
HSK	Hung Shui Kiu
HSLS	Home Starter Loan Scheme

HSP	Housing Subsidy Policy
IHH	Inadequately housed household
IFA	Internal floor area
Interim Scheme	Extending the Home Ownership Scheme Secondary Market to White Form Buyers
IRD	Inland Revenue Department
KNP	Kong Nga Po
KTS	Kwu Tung South
LandsD	Lands Department
LDC	Land Development Corporation
LSITS	Living Space Improvement Transfer Scheme
LTHS	Long Term Housing Strategy
MHPP	My Home Purchase Plan
NDA	New Development Area
NENT	North East New Territories
New URS	Urban Renewal Strategy promulgated in February 2011
PlanD	Planning Department
PRH	Public rental housing
PSPS	Private Sector Participation Scheme
QPS	Quota and Points System
Refined Policy	Refined Policy on Redevelopment of Aged Public Rental Housing Estates
RVD	Rating and Valuation Department
SCHS	Sandwich Class Housing Scheme
SDU	Subdivided unit

SDU Survey	Survey on Subdivided Units in Hong Kong
SEN	Senior Citizen Residence Scheme
SRA	Policy on Safeguarding Rational Allocation of Public Housing Resources
SSD	Special Stamp Duty
Steering Committee	Long Term Housing Strategy Steering Committee
SWD	Social Welfare Department
TPB	Town Planning Board
TPS	Tenants Purchase Scheme
TWOR	Territory-wide Overcrowding Relief
URA	Urban Renewal Authority
URAO	Urban Renewal Authority Ordinance
URS	Urban Renewal Strategy
WL	Waiting List
YLS	Yuen Long South

List of Charts and Tables

Pages

Charts

Tables

Printed by the Government Logistics Department
(Printed on recycled paper)