

**For discussion
on 7 December 2020**

Legislative Council Panel on Housing

Housing-related Initiatives in the Chief Executive's 2020 Policy Address and Policy Address Supplement

The Chief Executive delivered the Chief Executive's 2020 Policy Address (the Policy Address) on 25 November 2020. This paper introduces the major housing-related initiatives mentioned in the Policy Address and the Policy Address Supplement.

Housing policy

2. Inadequate housing supply is currently an issue of great public concern. The Government has always been determined to resolve the problem with its best endeavour. The housing policy of the current-term Government comprises four elements. First, housing is not a simple commodity; while maintaining respect for a free market economy, the Government has an indispensable role to play in this area. Second, the Government will focus on home-ownership and strive to build a housing ladder to rekindle the hope of families in different income brackets to become home-owners. Third, the Government will focus on supply and, based on the Long Term Housing Strategy (LTHS), increase the supply of housing units. Fourth, when new supply is not yet available, the Government will optimise existing housing resources to help families that have long been waiting for public rental housing (PRH) and residents in poor living conditions.

3. In accordance with the above policy, the Government has implemented a number of policies and measures in recent years with a view to addressing the problem of inadequate housing supply. On **increasing the supply of public housing units**, we have raised the share of public housing in new housing supply from 60% to 70% for the 10-year period under the LTHS framework; re-allocated nine private housing sites for public housing development; allowed an increase of domestic plot ratio for public housing sites in selected Density Zones to a maximum of 30% in total where technically feasible; and revised the land premium arrangement for subsidised housing projects of the Hong Kong Housing Society (HKHS) to enable the provision of more public housing units by HKHS, etc. On **enriching the housing ladder**, we have delinked the selling prices of subsidised sale flats (SSFs) from prices of the private housing market and set the prices at a level that is affordable to target households; regularised the Green Form Subsidised Home Ownership Scheme (GSH) and White Form Secondary Market

Scheme; accelerated the sale of the unsold flats in the 39 Tenants Purchase Scheme (TPS) estates; and introduced Starter Homes (SH) pilot projects. On **optimising public housing resources**, we have launched a pilot scheme which allows eligible owners of SSFs with premium unpaid to let their flats to eligible PRH applicants; and provided incentives to under-occupation PRH households whose family members are all aged 70 or above for transfer to suitably-sized flats, etc. In terms of striving to **help residents in poor living conditions**, we have set a target to provide 15 000 transitional housing units in the three-year period from 2020-21 to 2022-23; will launch a trial scheme to provide cash allowance to eligible applicants who have waited for PRH allocation for more than three years; and are conducting a study on the feasibility of tenancy control of subdivided units (SDUs).

Initiatives in the 2020 Policy Address

4. The Government will continue to put into practice the abovementioned policy principles. The major initiatives set out in the Policy Address this year are as follows.

Increasing Public Housing Supply

Long Term Housing Strategy

5. The Government continues to strive to increase public housing supply. After years of efforts, the Government has identified 330 hectares of land for providing 316 000 public housing units. It is expected that after all the statutory and administrative procedures have been completed, such land can meet the demand for about 301 000 public housing units in the coming 10 years (i.e. 2021/22 to 2030/31). Such land supply mainly comes from reclamation in Tung Chung, the agricultural land and brownfield sites in New Development Areas such as Kwu Tung North/Fanling North and Hung Shui Kiu/Ha Tsuen, a number of sites which have been rezoned for public housing development, re-allocation of nine sites at Kai Tak and Anderson Road Quarry for public housing development, partial development of the Fanling Golf Course and a number of brownfield clusters with housing development potential, the review of which has already been completed. We will announce the details in the LTHS Annual Progress Report 2020 which will be published this December, and report further to this Panel next January.

6. Many of the identified sites mentioned above are subject to procedures such as local consultation, planning, land resumption, clearance, site formation, provision of infrastructure, etc. The abovementioned production estimate is contingent upon the smooth completion of all relevant procedures such that all sites identified can be delivered on time for housing construction. The Government will forge ahead with the relevant work with a view to achieving the above production estimate.

Redevelopment of Shek Lei Interim Housing

7. Shek Lei Interim Housing (SLIH) in Kwai Chung was constructed in the 1960s, comprising a total of 1 928 units in two blocks. According to the Comprehensive Structural Investigation conducted by the Hong Kong Housing Authority (HA) in 2015, the two blocks would not be structurally sustainable beyond 2022 without substantial structural repair/strengthening works, rendering it not cost-effective to maintain SLIH beyond that point. HA has decided to clear SLIH with December 2022 as the target clearance date. If SLIH can be cleared as scheduled and developed together with the adjoining ex-primary school site for public housing development, subject to approval for relaxation of relevant planning restrictions, we estimate that about 1 600 units can be provided in 2028. The relevant committee under HA will deliberate on the rehousing and associated arrangements for SLIH occupants with reference to HA's prevailing rehousing policy and will announce the relevant details as soon as a decision is made.

Redevelopment of HA's Factory Estates

8. Regarding the proposal in last year's Policy Address to explore the feasibility of redeveloping six factory estates of HA for public housing use, the preliminary findings of HA's study indicate that three of the sites can be used for public housing development. HA is currently conducting further technical assessments on environment, traffic, infrastructure and air ventilation, etc. It is expected that the necessary studies can be completed in the first quarter of 2021. Rezoning procedures will then be conducted in accordance with the Town Planning Ordinance. Upon moving out of factory estates tenants, works such as demolition and decontamination will be conducted. It is estimated that a total of over 3 000 public housing units will be provided in 2031. If HA eventually decides to clear these factory estates, it will make reference to its arrangements for previous clearance of factory estates and make appropriate arrangements for the affected tenants having regard to the circumstances.

Redevelopment of Tai Hang Sai Estate¹

9. With the Government's co-ordination and facilitation, we are pleased to learn that the Hong Kong Settlers Housing Corporation Limited (HKSHCL) and the Urban Renewal Authority (URA) have reached an intention of collaboration in taking forward the redevelopment plan of Tai Hang Sai Estate, with a view to making the best use of the development potential of the site and improving the estate facilities as early as possible. According to preliminary estimates of the two parties, the redevelopment plan can provide over 3 300 units (including 1 300 rehousing rental flats and 2 000 SH units) upon completion, doubling the existing 1 600 flats. The Government hopes that the two parties can reach an early consensus with the residents of Tai Hang Sai Estate on matters such as the rehousing arrangements so that the redevelopment plan can commence as soon as possible. On the premise that the HKSHCL and URA will make proper rehousing arrangements for the residents of Tai Hang Sai Estate, the Government will support the early implementation of the redevelopment plan and provide the necessary assistance, with a view to improving the estate facilities and increasing housing supply.

Enriching the Housing Ladder

10. The Government endeavours to enrich the housing ladder by increasing PRH supply in a bid to reduce the average waiting time for PRH and helping low-to middle-income families achieve home ownership through the provision of SSFs. It also provides an avenue for better off PRH tenants to buy their own homes, thereby releasing their PRH units for applicants waiting for PRH allocation.

11. Given that flat selection for **GSH 2019** is still in progress due to the COVID-19 pandemic, and, having taken into account the current economic situation, we consider that a more prudent and pragmatic approach is to put up the around 4 700 GSH flats for sale in phases next year, with the first batch of about 2 100 flats expected to be launched in May next year, while further decisions for the remaining flats shall be made subject to the sales situation of the first batch. The inter-changeability of PRH and GSH allows adjustment of their supply in a timely manner, thus enabling HA to better respond to the rapid and unpredictable changes in market situations and meet the housing needs of the community at large. HA will consider the above recommendations set out in the Policy Address at a suitable time.

¹ This is not a public housing project.

12. It was proposed in last year's Policy Address that HA should make active preparation to **accelerate the sale of unsold flats in TPS estates** for meeting the home ownership aspirations of PRH tenants. In this connection, HA decided to freeze the letting of recovered flats in TPS estates in March 2020 with a view to putting up these flats for sale in the future. In July 2020, HA further endorsed putting up these recovered flats for sale to eligible Green Form applicants in the HOS and GSH sale exercises under the existing TPS pricing mechanism and alienation restrictions. Additional incentives are provided to encourage sitting TPS tenants to purchase the flats in which they reside. HA is carrying out the preparatory work to put up the recovered flats for sale together with other flats in the next GSH sale exercise. Over 700 flats have been recovered so far.

13. **SH pilot projects** aim to help higher-income families who are not eligible for the HOS and yet cannot afford private housing to meet their home ownership aspirations. Following URA's successful launch of the first SH pilot project at Ma Tau Wai Road, i.e. eResidence, in late 2018, the Government successfully sold by tender a private residential site at Anderson Road in May 2020 for implementing the second SH pilot project, so as to test out the arrangements of enlisting private developers to build and sell SH units. URA has proactively embarked on its new mission to provide more SH units in its redevelopment projects and has decided to assign the redevelopment project adjacent to the eResidence as another SH project, which is expected to provide about 260 units for sale in 2024.

Helping Residents in Poor Living Conditions

Transitional Housing

14. Identifying land for housing construction is the fundamental solution to the housing problems. Before the supply is in place, the Government has been promoting the development of transitional housing. By making better use of vacant land and premises, we aim to provide transitional housing to relieve the hardship of the people living in inadequate housing. With facilitation and co-ordination of the Task Force on Transitional Housing under the Transport and Housing Bureau, as at October 2020, about 1 200 transitional housing units were completed. Including the 3 400 units currently under in-depth study, the Government has identified adequate land for the provision of about 13 200 units in total for the coming three years. We are pressing ahead with work on this front with a view to achieving the target of 15 000 units in the coming three years.

15. The guesthouse industry in Hong Kong has been hard hit by the COVID-19 pandemic. The Government will seek funding from the Community Care Fund to implement a pilot scheme to subsidise non-governmental organisations to rent suitable hotels and guesthouses for use as transitional housing. Apart from subsidising voluntary organisations to rent hotels or guesthouses, we are considering providing subsidies to the hotels or guesthouses concerned through the transitional housing scheme to carry out alteration works, so as to provide a more comfortable and suitable accommodation for those families moving in. The Government has also proposed to inject an additional \$3.3 billion into the transitional housing funding scheme. Subject to the approval by the Legislative Council, the Government's total commitment to transitional housing projects will increase to \$8.3 billion.

Study on Tenancy Control of Subdivided Units

16. Since its establishment in April this year, the Task Force for the Study on Tenancy Control of Subdivided Units (the Task Force) has been adopting a multi-pronged approach and pressing ahead with various areas of work, including appointing consultants to undertake research studies on the issue of SDUs, and establishing three dedicated working groups to explore such issues as the social, economic and legal aspects related to SDUs. The Task Force is currently collecting views of various sectors on whether and how tenancy control of SDUs should be implemented, and strives to complete the study in the first quarter of 2021 and submit its report to the Government for consideration. The Government will actively follow up on the Task Force's recommendations upon receiving its study report.

Cash Allowance Trial Scheme

17. The Government will launch a three-year trial scheme to provide cash allowance for grassroots families which have waited for PRH allocation for a prolonged period of time so as to relieve their pressure on livelihood. Under the trial scheme, eligible General Applicant households (i.e. families with two or more persons and elderly one-person applicants) which are not living in public housing, not receiving the Comprehensive Social Security Assistance (CSSA) and have been waiting for PRH for more than three years without being given the first flat offer will be provided with cash allowance. The Government is working out the implementation details of the scheme, and aims to start receiving applications in mid-2021 and disbursing cash allowance from July onwards. The Government will review the trial scheme in a timely manner.

Other Housing-related Initiatives

Communal Drainage Inspection Programme

18. Regarding the anti-epidemic measures amid the COVID-19 pandemic, HA has commenced inspection of communal drainage pipes for all its PRH on 28 October 2020. The programme is expected to be completed in 18 months. As for the courts/estates under HA's SSF schemes (including HOS, GSH and TPS), same as private properties, the Independent Checking Unit under the Office of the Permanent Secretary for Transport and Housing (Housing) will exercise control in accordance with the Buildings Ordinance under the delegated authority from the Building Authority (i.e. the Director of Buildings), and inspect the external communal drainage systems of these courts/estates in accordance with the inspection scheme implemented by the Buildings Department. The relevant work has commenced in May 2020 and is expected to be completed by the second quarter of 2022.

Additional Gross Floor Area for Welfare Purposes in Public Housing

19. In view of the increasing demand for welfare facilities as a result of the accelerating population ageing in Hong Kong, in this year's Policy Address, the Government has invited HA and HKHS to consider setting aside, as far as practicable, a total of about 5% of the gross floor area in suitable future public housing projects of HA and HKHS for welfare purposes, unless it is not feasible due to technical or other factors. This proposal will ensure the continuous provision of suitable premises for welfare purposes to help meet the medium- and long-term needs of the society. Relevant bureaux will discuss the implementation details and implement the relevant measures on the premise that the flat production, construction progress and original development scale of ancillary facilities will not be affected.

Creating Job Opportunities for the Construction Industry

20. This year's Policy Address also suggests that more sector-specific job opportunities will be created. In this connection, HA will allocate additional resources to improve the environment and communal facilities of its PRH estates.

Ongoing policies and initiatives

21. The major initiatives that have been continuously implemented by the Government in accordance with its established policies, but have not been highlighted in this year's Policy Address include -

Effective use of public housing resources

22. The initiatives to continue to optimise the existing public housing resources include –

(a) ***Letting Scheme for Subsidised Sale Developments with Premium Unpaid (Letting Scheme)***

In July 2019, HA endorsed joining the enhanced Letting Scheme of HKHS on a trial basis, allowing eligible owners of HA's SSFs to join the Scheme as well. As at end-October 2020, about 350 and 260 applications from owners and tenants had been approved respectively with more than 40 tenancy agreements signed.

(b) ***Flat for Flat Pilot Scheme for Elderly Owners***

To further promote the circulation of SSFs, the Government has facilitated HKHS to launch the Flat for Flat Pilot Scheme for Elderly Owners on a trial basis, allowing eligible elderly owners of HKHS' SSFs with premium unpaid to sell their original flats and then buy a smaller one in the Secondary Market of either HA or HKHS starting from October 2019.

(c) ***Trial Scheme for Full Rent Exemption for Elderly Under-occupation Households***

HA launched a trial scheme in December 2019 to grant lifetime full rent exemption to under-occupation households, whose family members are all aged 70 or above, upon their transfer to suitably-sized flats. As at end-October 2020, about 270 applications have been approved with 45 households successfully transferred to suitably-sized flats.

Maintaining the healthy development of private residential property market

23. To maintain a healthy development of the private residential property market, the Government has, for one thing, adopted the “supply-led” strategy to continuously increase the housing land supply in the long run; and for another thing, used demand-side management measures to stabilise the residential property market.

Increase in supply

24. Based on the Government's assessment of private residential developments on known disposed sites as at end-2019, the annual average completion of private residential units from 2020 to 2024 will be about 19 600 units, representing an increase of about 25% over the annual average

completion (15 700 units) of the past five years (i.e. from 2015 to 2019). The Government will continue to make available housing sites to respond to the home ownership aspirations of different social strata.

Demand-side management measures for residential properties

25. At present, the housing supply is still tight. Over the past year, while there has been a slight retreat in residential property prices owing to global and local factors, the overall residential property prices remain at a level beyond the affordability of the general public. According to the latest information from the Rating and Valuation Department, the mortgage-to-income ratio for private sector households with median household income (i.e. the home purchase affordability ratio²) in the third quarter of 2020 was 77%, which was even higher than that of 73% in the third quarter of 2019 last year, and much higher than the average of 45% over the past 20 years (i.e. from 2000 to 2019). Therefore, the Government will maintain the various demand-side management measures for residential properties. Therefore, the Government will keep watch on the residential property market conditions and take timely and appropriate measures in response to market changes by making reference to relevant indicators.

Way Forward

26. The Government will endeavour to take forward the new initiatives proposed in the Policy Address, and will continue to implement the LTHS, increase housing supply, consummate the housing ladder, optimise the use of public housing resources and maintain the healthy development of the private residential property market in an effort to help more households in Hong Kong to meet their housing goals.

Advice Sought

27. Members are invited to note and comment on the paper.

Transport and Housing Bureau December 2020

² Home purchase affordability ratio refers to the ratio of mortgage payment for a 45-square metre flat to the median income of households (excluding those living in public housing) at the prevailing mortgage rate under a 70% loan-to-value ratio for a tenure of 20 years.