

Chapter III

Housing and Land Supply

My Belief

“Our people will call Hong Kong their home only when there is adequate housing for all to enjoy living in this city, and it is the Government’s responsibility to provide suitable housing for families in different income brackets.”

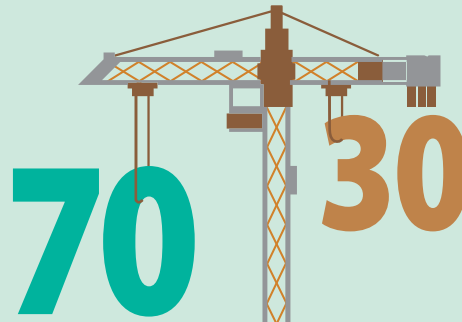
The housing policy of the current-term Government comprises four elements:

- (1) 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;
- (2) we 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;
- (3) we will focus on supply and, based on the Long Term Housing Strategy, increase the supply of housing units; and
- (4) when new supply is not yet available, we will optimise the existing housing resources to help families that have long been waiting for public rental housing (PRH) and residents in poor living conditions.

To implement the aforesaid housing policies and meet the demand for land and housing in the course of our economic development, it is imperative for us to increase land supply and develop land resources in a resolute and persistent manner. To prevent the acute problem of land shortage from emerging again, the determination of the Government to identify and produce land and build a land reserve should never waver in face of short-term changes in economic environment or fluctuations in property prices.

Chapter III Housing and Land Supply

Revised the public/private split
of housing supply from 60:40 to



Improving Housing Ladder (progress of 2018-19)

(progress of 2018-19)



Public Housing

- Increased 17 658 flats
- Allocated 34 679 flats
- Conducted around 6 000 investigations of randomly selected or suspected tenancy abuse cases per year

Green Form Subsidised Home Ownership Scheme

- Regularised
- Sold 2 545 flats at a discount with reference to buyers' affordability

Home Ownership Scheme

- White Form Secondary Market Scheme regularised
- Sold 4 431 flats at a discount with reference to buyers' affordability
- Allow owners to let their flats with premium unpaid
- Flat for Flat Pilot Scheme for Elderly Owners

Starter Homes

- Implemented the Ma Tau Wai Road Starter Home pilot scheme
- Sold 450 flats at a discount with reference to buyers' affordability

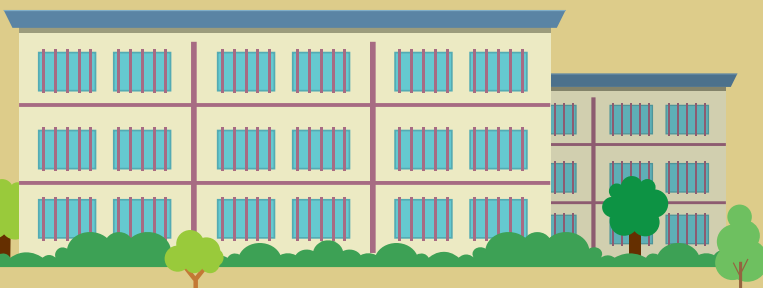
Private Residential Property Market

- Offer no less than 20% of total units in each time of pre-sale
- Proposed to charge Special Rates on first-hand unsold flats



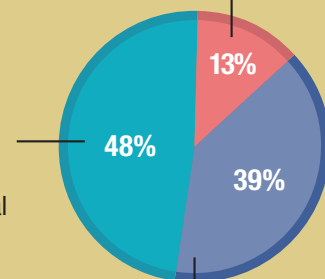
Transitional Housing Projects

- The Task Force is providing assistance/conducting feasibility study for more than 20 projects
- As of September 2019, the announced projects can provide approximately **1 580 flats**
- Earmarked **\$2 billion** to support the projects



Conversion of private/government premises

3 projects, 210 flats in total



Erecting temporary structures on vacant private/government land

6 projects, 750 flats in total

Existing domestic buildings

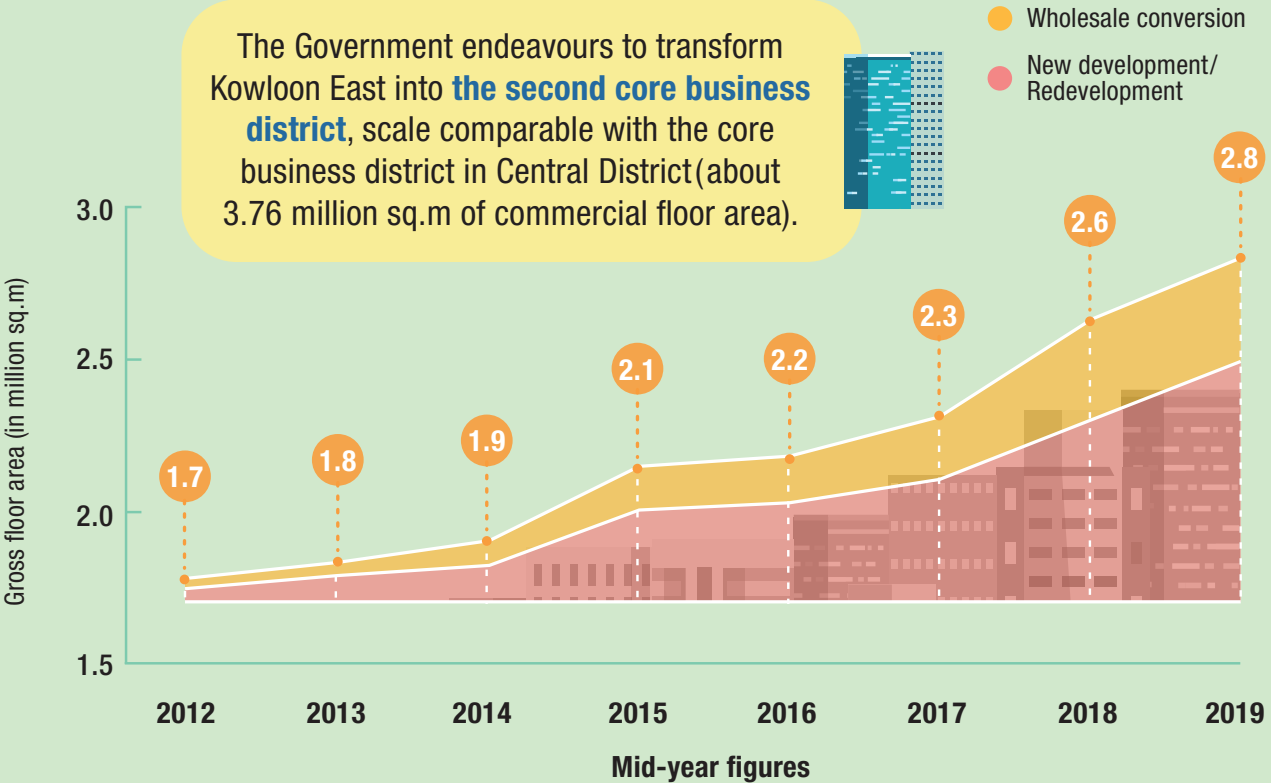
17 projects, 620 flats in total
(Occupied)

Streamlining the Approval Process of Development Proposals



Supply of Commercial Floor Area in Kowloon East

The Government endeavours to transform Kowloon East into **the second core business district**, scale comparable with the core business district in Central District (about 3.76 million sq.m of commercial floor area).



Progress Made

A total of 41 new initiatives were announced in the 2017 and 2018 Policy Addresses and Policy Agendas, of which 34 have been completed or are progressing on schedule.

Key initiatives completed or major progress made by the current-term Government are as follows:

Housing Policy

Long Term Housing Strategy

- Revised the public/private split of new housing supply for the 10-year period from 2019-20 to 2028-29 from 60:40 to 70:30. (THB)

Housing Ladder

- Revised the pricing policy of the Home Ownership Scheme (HOS) such that HOS flats are priced at an affordable level which is no longer linked to the market price. Since the announcement of the new pricing policy in June 2018, a total of about 7 400 subsidised sale flats (SSFs), including 4 500 HOS units, 2 500 Green Form Subsidised Home Ownership Scheme (GSH) units and 450 “Starter Homes for Hong Kong residents” (SH) units, have been sold in accordance with the new pricing policy. Flats in HOS 2019 will be sold at 59% of their assessed market values, while flats in GSH 2019 will be sold at 49% of the assessed market value. (THB)
- Regularised GSH. (THB)
- Regularised the White Form Secondary Market Scheme (WSM). (THB)
- The Hong Kong Housing Society (HKHS) launched the Letting Scheme for Subsidised Sale Developments with Premium Unpaid (Letting Scheme) and the Flat for Flat Pilot Scheme for Elderly Owners. (THB)

- The Urban Renewal Authority (URA) assigned its re-development project at Ma Tau Wai Road as an SH pilot project, which provides 450 units. The URA put up the units for pre-sale at 62% of their assessed market values. All units were sold in June 2019. (THB)

Public Housing Supply

- Allowed a further increase of domestic plot ratio for public housing sites in selected Density Zones of the Main Urban Areas and New Towns by 10% (i.e. up to maximum 30% increase in total) where technically feasible. (THB)
- Re-allocated nine private housing sites for public housing. These sites are expected to provide some 11 000 units. (THB)
- Revised the land premium arrangement for HKHS’ subsidised housing projects, which will enable HKHS to continue to provide rental units and SSFs and implement the re-development programme of aged rental estates on a financially sustainable basis. (THB)

Effective Use of Public Housing Resources

- Launched the WSM 2019 in May 2019 with an increase in annual quota from 2 500 in 2018 to 3 000. (THB)
- Facilitated HKHS’ launch of the Letting Scheme, allowing owners of HKHS’ subsidised housing to let their units with premium unpaid to families in need. In light of the views received, HKHS has formulated improvements to the Letting Scheme. The Hong Kong Housing Authority (HKHA) has also decided to join on a pilot basis. The improved Letting Scheme will open for applications later this year. (THB)

- Facilitated HKHS' launch of the Flat for Flat Pilot Scheme for Elderly Owners, allowing eligible elderly owners of HKHS' SSFs with premium unpaid to sell their original flats and then buy a smaller one in either HKHA's or HKHS' Secondary Market. (THB)
- HKHA has decided to implement a trial scheme under which full rent exemption will be granted to under-occupation households whose family members are all aged 70 or above upon their transfer to suitably-sized flats. (THB)

Maintaining a Healthy Private Residential Market

- Amended the Lands Department Consent Scheme, requiring developers to offer for sale no less than 20% of the total number of residential units that are subject to the relevant pre-sale consent at each turn of sale, regardless of the sales method. (THB)
- The Sales of First-hand Residential Properties Authority issued a Reminder for the Trade, requiring vendors to set out the details of the discount, financial advantage or benefit and ensure that the information is full and complete. (THB)
- The URA has identified two clusters of sites involving more than 30 Civil Servants' Co-operative Building Society Scheme buildings in Kowloon City for re-development as a pilot project. The URA plans to announce in early 2020 the commencement of the relevant re-development plan with a view to maximising the development potential of the sites. Some of the resumed land will be earmarked for public housing development, and the total number of public and private flats after re-development is estimated to be about five times the existing number. (DEVB)

Facilitating Initiatives on Transitional Housing

- Established a Task Force on Transitional Housing to assist and facilitate the implementation of various short-term initiatives put forward and carried out by community organisations so as to increase the supply of transitional housing. As at September 2019, there were around 620 units in the existing domestic buildings completed for eligible tenants. The Task Force has also provided assistance for 9 projects already announced, in which a total of approximately 960 flats can be provided. Feasibility studies are being carried out for a dozen other projects. Furthermore, \$2 billion has been set aside to support non-governmental organisations (NGOs) in constructing transitional housing. (THB)
- The URA, Hong Kong Construction Association and other organisations to provide professional advices and project management consultancy services so as to assist participation in large transitional housing projects by community organisations. (THB)

Land Supply

- Adopted the multi-pronged land supply strategy recommended by the Task Force on Land Supply following an extensive public engagement lasting five months. (DEVB)

Short to Medium-term Measures

- "Survey on Business Establishments in Kowloon East 2018" has been completed, with the survey report released in February 2019. (DEVB)

- The planning and engineering feasibility studies on the Kwun Tong and Kowloon Bay Action Areas have largely been completed. The two action areas can provide about 560 000 square metres of commercial/office floor area. (DEVB)
- Re-activated the re-vitalisation scheme for industrial buildings. (DEVB)
- Launched a \$1 billion funding scheme to support the use of vacant government sites by NGOs. (DEVB)
- Pursued more vigorously the “single site, multiple use” model in multi-storey development to facilitate “Government, Institution or Community” (GIC) projects with cross-department facilities and earmarked \$22 billion for the first batch of projects. (DEVB/FSTB)
- Promulgated the first and second batches of measures to streamline development control. (DEVB)
- The Environment and Conservation Fund has approved funding for environmental education and community action projects on nature conservation in South Lantau. So far, 11 projects were approved. (ENB/DEVB)
- The investigation study, design and associated site investigation works for re-location of Diamond Hill Fresh Water and Salt Water Service Reservoirs to caverns commenced in December 2018 while the Stage 1 Works - site preparation and access tunnel construction for re-location of Sha Tin Sewage Treatment Works to caverns commenced in February 2019. (DEVB)
- Funding approval for Kwu Tung North/Fanling North New Development Area (NDA) for the first phase works has been obtained, and enhanced compensation and re-housing arrangements for government development clearance exercises have also been implemented. (DEVB)

Medium and Long-term Measures

- The Airport Authority Hong Kong has accepted the Government’s invitation to submit an airport-related business proposal for the topside development at the Hong Kong Boundary Crossing Facilities Island of the Hong Kong-Zhuhai-Macao Bridge. (DEVB)
- Established the Sustainable Lantau Office in December 2017 to take forward the co-ordination, planning and implementation of various development projects and initiatives in conservation, local improvement and leisure and recreation in Lantau. (DEVB)
- Earmarked \$1 billion for setting up the Lantau Conservation Fund to promote conservation together with the community and pursue local improvement works for Lantau. (DEVB)

Challenges Ahead

Housing Policy

Public Housing Supply

- Despite the Government's commitment in increasing public housing supply, the community's demand for PRH and SSFs remains strong. For PRH, as at end-June 2019, there were about 147 900 family and elderly one-person applicants, while the number of non-elderly one-person applicants under the Quota and Points System was about 108 200. The average waiting time for family and elderly one-person applicants who were housed to PRH in the past year was 5.4 years. As regards SSFs, the over-subscription rate of about 62 times in the Sale of HOS Flats 2019 reflects that there is a pressing demand for SSFs among low to middle-income families. (THB)
- Assuming that all sites identified can be delivered on time for housing development, about 248 000 public housing units can be constructed during the 10-year period from 2019-20 to 2028-29, which lags behind the public housing supply target of 315 000 units. (THB)

- About 80% of the public housing projects for which District Councils have been consulted in the past few years are not "spade-ready"¹. The Government needs to go through various processes to turn those sites into "spade-ready" sites. Such processes require time and are subject to uncertainties and challenges pertinent to statutory planning and other procedures, consultations, land resumption and clearance, provisioning and re-provisioning of facilities, site formation and infrastructure provision, securing timely funding from the Legislative Council, building construction, etc. (THB)

Private Housing

- Due to local housing demand-supply imbalance and ultra-low interest rates in the global monetary environment with abundant liquidity, local property prices remain high. (THB)
- The overall price index for private flats reached a record high in May 2019. Although the index dropped between June and August, it rose by a cumulative 15.5% between July 2017 and August 2019. (THB)
- Home purchase affordability² rose to 73% in the second quarter of 2019, which was higher than the long-term average of 44% over the 20-year period from 1999 to 2018. (THB)

¹ Sites that have been properly zoned, and do not require resumption, clearance, re-provisioning of existing facilities, site formation or provision of additional infrastructure.

² The ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing.

Land Supply

- We are committed to changing the uses of land through re-zoning in order to make available land for housing in the short to medium term. Since 2013, we have completed re-zoning of 129 sites; but there are still 82 sites for which re-zoning work is ongoing or yet to be initiated, involving an estimated supply of over 126 000 residential units. We need to expedite our work on relevant studies and secure support from stakeholders for the re-zoning work. (DEVB)
- We aim to seek funding approval for implementing the Hung Shui Kiu/ Ha Tsuen NDA project and initiate statutory planning process in respect of Yuen Long South Development in the coming months. We need to gain the understanding of the affected stakeholders before these projects can be taken forward quickly in a timely manner. We also have to facilitate re-establishment of some of the affected brownfield operations in a land-efficient manner. (DEVB)
- While the multi-pronged land supply strategy recommended by the Task Force on Land Supply was drawn up after extensive public engagement, individual initiatives including the Land Sharing Pilot Scheme and the detailed studies on the reclamation of the artificial islands around Kau Yi Chau remain controversial in the community. (DEVB)

New Initiatives

Housing Policy

- Invite HKHA to explore ways to accelerate the sale of the some 42 000 unsold flats in the estates under the Tenants Purchase Scheme (TPS) so as to meet the home ownership aspiration of PRH tenants, and solve the problems in the management and maintenance of TPS estates arising from mixed ownership. (THB)
- To meet the community's keen demand for public housing, we will invite HKHA to examine the feasibility of redeveloping industrial buildings for public housing development. (THB)
- To proceed with site identification and feasibility studies for several large-scale transitional housing village projects, including parcels of land on loan and surrendered by developers on voluntary basis. Depending on the progress of relevant procedures and taking into account the around 1 580 units completed/announced so far, around 10 000 transitional housing units can be constructed in three years. (THB)

Land Supply

- Expedite land use reviews for brownfield sites with higher development potential and certain squatter areas in urban districts, with a view to boosting land supply for public housing development (DEVB).
- Announce a proposed framework for the Land Sharing Pilot Scheme and start accepting applications in early 2020. (DEVB)

- Amend the Outline Zoning Plans to incorporate the recommendations of the planning and engineering feasibility studies on the two action areas in Kwun Tong and Kowloon Bay, commence demolition of the former Kowloon Bay Waste Recycling Centre to release the land for commercial development, and undertake engineering investigation and design for the infrastructural facilities in Kwun Tong Action Area, with a view to further promoting the transformation of Kowloon East into the second core business district. (DEVB)
- Review the development potential of over 300 sites originally earmarked for standalone GIC facilities, with a view to optimising land use and expediting development. (DEVB)