



Long Term Housing Strategy

December 2014

Transport and Housing Bureau

TABLE OF CONTENTS

	Pages
FOREWORD	iii
CHAPTER 1 A NEW HOUSING STRATEGY FOR HONG KONG	
Introduction	1
Vision	2
Principles	3
Strategy	4
CHAPTER 2 PROJECTION OF HOUSING DEMAND	
Principles of Projection	5
Methodology	5
CHAPTER 3 PLANNING FOR HOUSING SUPPLY	
The Rolling Ten-year Housing Supply Target	11
Land Supply for Housing	13
The Projection and Planning Cycle	19
The Challenges Ahead	20
CHAPTER 4 RATIONAL USE OF PUBLIC RENTAL HOUSING RESOURCES	
Helping Those in Need	21
Average Waiting Time for General Applicants	21
Redevelopment of Aged Public Rental Housing Estates	22
Making the Best Use of Limited Resources	23
CHAPTER 5 SUBSIDISED HOME OWNERSHIP	
An Essential Element of the Housing Ladder	27
Leveraging on the Private Sector's Capacity	28
Facilitating Circulation	29

CHAPTER 6	HEALTHY AND STABLE RESIDENTIAL PROPERTY MARKET	
	Stable Land Supply	31
	Promoting Good Practices	32
	Demand-side Management Measures	32
	Inadequately Housed Households	33
	Tenancy Control	35
CHAPTER 7	CONCLUSION	
	A Firm Foundation	39
	Partnership for Implementation	39
ANNEX	TERMS OF REFERENCE AND MEMBERSHIP OF GOVERNMENT COMMITTEES RELATING TO HOUSING AND LAND SUPPLY	45
LIST OF ABBREVIATIONS		50

FOREWORD

Housing Future at its Critical Juncture

Housing stands out as one of the most challenging social issues Hong Kong is facing today. Our housing challenge is characterised by a serious supply-demand imbalance, housing prices and rents at a level beyond the affordability of the general public and out of line with our economic fundamentals, the proliferation of subdivided units, and long queues for public rental housing (PRH). Many of our youths feel aggrieved when they fail to see a future in housing.

The current-term Government is serious in addressing the housing challenge. We aim to provide PRH to the grassroots, help the lower to middle-income households meet their home ownership aspirations, maintain a healthy and stable private housing market, thereby rebuild the housing ladder. We appointed the Long Term Housing Strategy (LTHS) Steering Committee in September 2012 to advise the Government on the formulation of a new LTHS. The LTHS Steering Committee issued a consultation document in September 2013, consulted the public for three months and submitted its report to the Government in February 2014.

Meanwhile, we introduced two rounds of demand-side management measures in 2012 and 2013 respectively, which helped contain market exuberance. However, as domestic demand for housing remains solid, the ultimate solution to contain the rising prices and rents of housing must lie in increasing supply continuously and with sufficient scale, so as to break the vicious cycle that has been built up for quite some years.

The promulgation of the new LTHS is a significant development in our housing policy, as the new LTHS is the first long term strategic document on housing since 1998. The LTHS has incorporated the major recommendations of the LTHS Steering

Committee and the views gathered during the public consultation period. Guided by the vision of helping all households in Hong Kong gain access to adequate and affordable housing, we have made a major policy shift by adopting a supply-led strategy, with a view to averting the current supply-demand imbalance. In addition to increasing the supply of public and private housing, we will also seek to ensure the rational use of PRH resources and consider how to expand the forms of subsidised home ownership.

Based on the latest projections, we have adopted a total housing supply target of 480 000 units for the ten-year period from 2015-16 to 2024-25, with a 60:40 public-private split in new housing production¹. We will review and update the projection annually and roll over a new supply target.

Setting a production target is the easier part. Delivering the target requires the adequate and timely supply of land, especially through new development areas and the review and rezoning of some existing sites. However, there are considerable concerns and scepticisms in the community about such initiatives. Local communities worry about the impact of housing development on traffic, the environment and the provision of community facilities. Coping with rising building costs and construction industry capacity presents further problems.

We do not have the luxury of painless solutions. If we shelve large-scale new development, avoid increasing density in built-up areas, give up rezoning, reclamation and land resumption, then where can we look to for releasing the much-needed land to meet our long term housing supply target? Given the lead time for land and housing development, we simply cannot afford endless debates without regard to the plight of the needy.

If we try to avoid the problem by, for example, arguing erroneously that there is no need for more new housing because there

¹ Details of the projection results are set out in the Long Term Housing Strategy – Implementation Milestones as at December 2014, which is available at the Transport and Housing Bureau website at www.thb.gov.hk.

is already a surplus, or if we lack the determination to accept a trade-off between housing development and keeping lands untouched, then we are doomed to failure; the vicious cycle will continue, and we will not see the end of the tunnel.

Now is the critical moment. The challenges are daunting indeed, but they have to be tackled head-on. Choices and trade-offs have to be made amid diverse interests and objectives. We have to make our LTHS work in order to rebuild confidence in a future where our younger generation can look forward to better and more affordable housing. For their future, there is no going back.



Professor Anthony Cheung Bing-leung
Secretary for Transport and Housing

CHAPTER 1

A NEW HOUSING STRATEGY FOR HONG KONG

Introduction

1.1 In 1998 the Government promulgated the previous Long Term Housing Strategy (LTHS), which set out targets for housing production, home ownership and access to public rental housing (PRH). Changes in the macroeconomic environment led the then Government to reposition its housing policy in 2002 by focusing on providing PRH to low-income families, ceasing the production of subsidised sale flats and minimising intervention in the housing market.

1.2 Hong Kong's economy and property market started to recover in 2004 after the Asian financial crisis. More recently, Hong Kong has been experiencing severe imbalance in supply and demand for both public and private housing. The property market has become overheated, with property prices and rents rising above what many members of the public can afford. Hong Kong's housing situation has reached a critical juncture that calls for a policy shift.

1.3 Shortly after its inauguration, the current-term Government appointed the LTHS Steering Committee in September 2012 to advise the Government on the formulation of a new LTHS. The Chief Executive's 2013 Policy Address further stipulated that the top priority of the current-term Government is to tackle the housing problem. The LTHS Steering Committee issued a consultation document in September 2013, consulted the public for three months and submitted its report to the Government in February 2014¹. Meanwhile, the Panel on Housing of the Legislative Council (LegCo)

¹ The LTHS consultation document and report on public consultation are available at the Transport and Housing Bureau website at www.thb.gov.hk.

also set up a Subcommittee on Long Term Housing Strategy in December 2012 to consider issues relating to the formulation of the LTHS. The Subcommittee concluded its work and issued its report in July 2014². In addition, the Director of Audit released his Report No. 61 and Report No. 62 in October 2013 and April 2014 respectively, on the allocation and utilisation of PRH flats, as well as the planning, construction and redevelopment of PRH flats³. The above reports of the Director of Audit were considered by the Public Accounts Committee of the LegCo, which issued its Report No. 61 and Report No. 62 in February 2014 and July 2014 respectively⁴.

1.4 In formulating the new LTHS, the Government has taken into account the recommendations of the LTHS Steering Committee; views collected during the LTHS public consultations; views and recommendations of the LegCo's Subcommittee on Long Term Housing Strategy; and observations and recommendations of the Director of Audit and the Public Accounts Committee of the LegCo. The Government has also consolidated the experience since the 1998 LTHS and the repositioning of housing policy in 2002.

1.5 On the above basis, the Government has formulated a new LTHS to address the structural issues pertaining to Hong Kong's housing problem. The Government has also put forward a new strategic direction and laid down guiding principles for housing policies. The Government will work with the community to resolve the housing problem, with a view to realising the long term objective of helping all households gain access to adequate housing.

Vision

1.6 Our vision is to help all households in Hong Kong gain

² The report of the Subcommittee is available at the LegCo's website at www.legco.gov.hk.

³ The Director of Audit's Report No. 61 and Report No. 62 are available at the Audit Commission's website at www.aud.gov.hk.

⁴ Report No. 61 and Report No. 62 of the Public Accounts Committee are available at the LegCo's website at www.legco.gov.hk.

access to adequate and affordable housing⁵.

Principles

1.7 The new LTHS seeks to achieve changes progressively in accordance with the following principles –

- (a) ***Supply-led*** : It takes years to prepare land and build housing units on it. Learning from the experience of the last decade, instead of starting to find land and build when demand for housing becomes evident, we should anticipate demand and plan for land supply. We should also, based on objective projections of long term demand, systematically plan for public housing construction and make land available for private housing development; and
- (b) ***Flexible*** : Learning lessons from the experience of the upheavals in the property market after the 1998 LTHS and the impact of the marked changes in policies subsequently, forward plans and construction programmes should be adjusted regularly, on the basis of regular reviews of the long term demand projections that reflect changes in circumstances.

⁵ There is no common standard of adequate and affordable housing. Different societies, different segments within a society, or even different individuals may have their own views. Public housing units (including PRH and subsidised sale flats) are built to satisfy the housing needs of the relevant sectors of the community and are regarded as adequate housing. PRH and subsidised sale flats are provided as affordable housing to those who cannot afford to rent or buy a flat in the private sector. Applicants for PRH and subsidised sale flats are subject to eligibility criteria on income and assets, and the rents of PRH and prices of subsidised sale flats are set with regard to the affordability of the target households. As for private housing, housing units that are not inadequate (i.e. not made up of temporary structures, not located in non-residential buildings, not shared with other households and not subdivided) should be regarded as adequate housing (see Chapter 2). In terms of affordability, by maintaining a healthy and stable private housing market, people could meet their housing needs in accordance with their means.

Strategy

1.8 The Government has accepted the recommendation of the LTHS Steering Committee to adopt a supply-led strategy, which is to –

- (a) plan early for land supply for production of both public and private housing, with the assistance of a new housing demand projection model;
- (b) update the projection of long term housing demand and work out a rolling ten-year housing supply target every year;
- (c) provide PRH units to serve as a “safety net” for the grassroots who cannot afford private rental housing;
- (d) provide Home Ownership Scheme (HOS) flats and other forms of subsidised sale flats to enable the lower to middle-income households to meet their home ownership aspirations; and
- (e) maintain the healthy and stable development of the private housing market through securing a stable supply of land and implementation of demand-side management measures as and when necessary.

1.9 The following chapters elaborate on the key elements of the LTHS.

CHAPTER 2

PROJECTION OF HOUSING DEMAND

Principles of Projection

2.1 While it is not possible to predict the future, it is essential for the LTHS to try to objectively project long term housing demand.

2.2 In formulating a method for projecting long term housing demand, the Government is mindful that under-estimation of demand could lead to insufficient supply, while over-estimation might lead to over production.

2.3 As the projection of long term housing demand is necessarily premised on a large number of assumptions which may or may not all prove correct, the method should produce a range of projections (instead of a single projection) to reflect possible housing demand scenarios under different economic and property market situations, which would enable the Government to have a better grasp of future trends.

Methodology

2.4 The Government has adopted the methodology and model recommended by the LTHS Steering Committee to project long term housing demand. Under the new projection model, housing demand is defined as the total number of new housing units required to provide adequate housing to each and every household over the long term. The model takes into account the following major components in projecting the number of new housing units required over a period of ten years –

- (a) net increase in the number of households;
- (b) those who will be displaced by redevelopment;
- (c) those who are inadequately housed; and
- (d) miscellaneous factors.

Net Increase in the Number of Households

2.5 New households are formed arising from marriages, splitting of existing households, immigration and expatriates coming to work in Hong Kong. At the same time, households may be dissolved due to deaths, emigration and expatriates returning to their home. The net change in the number of households leads to changes in housing demand.

2.6 The domestic household projections by the Census and Statistics Department (C&SD) form the basis of assessing the overall housing demand from the net increase in the number of households. 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 projections cover the effects on household formation due to a diverse range of demographic developments and 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 projections also take 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.

2.7 In order to reflect possible changes in the household projection figures under different economic and property market situations, an econometric modeling exercise is conducted to quantify the relationship between household formation and economic

performance and housing market situations. The new projection model will then project the number of domestic households under different assumptions to produce a range of projections of long term housing demand.

Households Displaced by Redevelopment

2.8 Rehousing households displaced by the redevelopment of old buildings in the public and the private sectors generates new housing demand on top of the net increase in the number of households. 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 (including projects undertaken by the Urban Renewal Authority (URA)), form the basis for estimating new housing demand from households displaced by redevelopment. The annual review of the projection of long term housing demand will take into account new information on the redevelopment programmes where available.

Inadequately Housed Households

2.9 As the projection of long term housing demand aims to estimate the number of units required to satisfy the need for adequate accommodation in Hong Kong, the model deems households who are currently inadequately housed as having a need for new housing units. In considering what constitutes “inadequately housed”, the model regards households living in public housing (i.e. PRH and subsidised sale flats such as HOS flats) as adequately housed, since public housing is built to satisfy the housing needs of the relevant sectors of the community. As for households living in private housing, the model takes the following circumstances into account in determining whether households are inadequately housed –

- (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)¹; and
- (d) if the unit is subdivided¹.

Miscellaneous Factors

2.10 Apart from the above components, there may also be demands which the C&SD's domestic household projections do not cover. These include private permanent living quarters occupied by households with mobile residents² only, non-local students who might take up accommodation in Hong Kong, as well as non-local buyers who take up flats without selling or leasing them. An item "miscellaneous factors" is added to cover these components in the projection of housing demand, based on past trends.

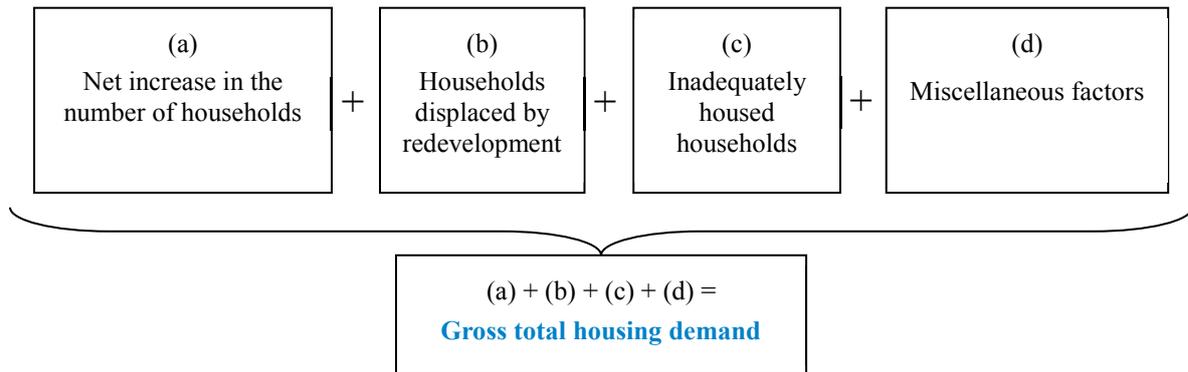
Gross Total Housing Demand

2.11 The model generates the gross total housing demand by summing up the demand components above (see Chart 2.1). Taking into account results of the projections of various demand components and the econometric analysis on the projection of household formation, the projection will produce a range, instead of a single number, of units to reflect the gross total housing demand under different scenarios.

¹ It should be noted that, depending on the actual living conditions, not all households sharing units with other households or living in subdivided units are necessarily inadequately housed.

² 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.

Chart 2.1 Gross total housing demand



2.12 The Government considers that this projected gross total housing demand should have comprehensively covered all types of demand for PRH. This is because –

- (a) for PRH applicants who are currently living in PRH, subsidised sale flats or private units and intend to form separate households of their own, their housing demand has been covered in the projection of “net increase in the number of households”;
- (b) for PRH applicants who are living in units affected by redevelopment projects, their housing demand has been covered in the projection of “households displaced by redevelopment”; and
- (c) for PRH applicants who are inadequately housed, such as those living in subdivided units (SDUs) of poor condition, their housing demand has been covered in the projection of “inadequately housed households”.

2.13 In projecting the net increase in the number of households, the model takes into account marriage, formation of one-person households and other demographic factors. Therefore, the long term housing demand projection has already covered the housing demand of the younger generation.

Annual Review

2.14 Ten years is a long period of time. In order to capture changes over time, the Government has adopted the recommendation of the LTHS Steering Committee to review the long term housing demand projection on an annual basis. The annual updating exercise enables the Government to review the ten-year projection in light of the prevailing policy and circumstances and to make timely adjustments accordingly where necessary.

CHAPTER 3

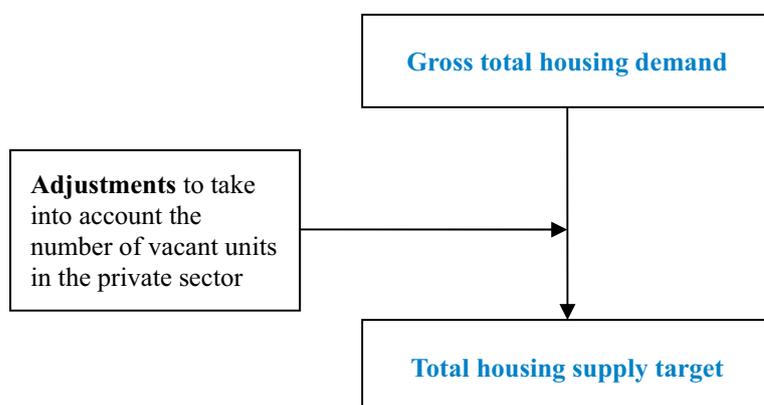
PLANNING FOR HOUSING SUPPLY

The Rolling Ten-year Housing Supply Target

Basis of Projection

3.1 The results of the long term housing demand projection form the basis for deriving the ten-year housing supply target. In addition, there are always a certain number of flats left vacant in the private sector at any point in time¹. The number of vacant units at the beginning of the projection period, as well as the past average vacancy rate in the private sector, are taken into account together with the projected gross total housing demand over the next ten years in projecting the ten-year housing supply target (see Chart 3.1).

Chart 3.1 Total housing supply target



¹ A private residential unit may be vacant for various reasons. Properties which are not physically occupied, under decoration or pending occupation by the owner or tenant, etc. are treated as vacant. According to the Rating and Valuation Department, there were about 46 570 vacant private domestic units in Hong Kong as at the end of 2013. This represents a vacancy rate of about 4.1%, which is the lowest since 1997, and is considerably lower than the average vacancy rate (about 5%) in the private sector from 2004 to 2013.

3.2 In addition to setting the ten-year housing supply target, the Government will also determine the split between public and private housing within the targeted housing supply, as well as the split between PRH and subsidised sale flats within the new public housing production. The Government will take into account the following factors in considering the appropriate split of public/private housing and PRH/subsidised sale flats –

- (a) the latest number of PRH applications and the average waiting time² (AWT) for general applicants, namely family applicants and elderly one-person applicants aged 60 or above;
- (b) the role of subsidised sale flats as a buffer between PRH and private housing. In times of tight supply of private housing, an increase in the supply of subsidised sale flats could help ease demand in the private market and promote upward mobility for PRH tenants who aspire for home ownership. On the other hand, when market demand eases, reducing the supply of subsidised sale flats could help stabilise the private property market;
- (c) aspirations of lower to middle-income households, especially first-time home buyers and youngsters, for home ownership; and
- (d) the need to ensure stable and healthy development of the private housing market.

3.3 The 2014 Policy Address took the lead in adopting the LTHS Steering Committee's recommendation that public housing should account for 60% of the ten-year housing supply target of 470 000 units. The 2014 Policy Address further announced that,

² Waiting time refers to the time taken between registration for PRH and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). The AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

among public housing, the supply of PRH should be 200 000 units while that of subsidised sale flats 80 000 units. In line with the annual roll-over approach, the Government will review and where necessary adjust these splits between public and private housing, and between PRH and subsidised sale flats to better respond to changing market situations and evolving needs of the community. In order to facilitate the implementation of such adjustments, the HA will need to maintain the interchangeability of PRH and subsidised sale flats. This will enable the HA to adjust the supply of PRH and subsidised sale flats in line with adjustments in the ten-year targets.

3.4 With annual updating of the long term housing demand projection, the Government will update the rolling ten-year housing supply target and announce the updated results by the end of each financial year.

Land Supply for Housing

Overall Strategy

3.5 To meet the housing and other development needs of the community, the Government adopts a multi-pronged strategy to increase land supply in the short, medium and long term through the continued and systematic implementation of a series of measures. Short term measures focus on optimising the use of developed land as far as practicable, including the developed areas in existing urban areas and new towns, as well as land in the vicinity of the existing developed areas and infrastructures, through land use reviews and increasing development intensity wherever appropriate. Medium and long term measures seek to create new developable land through major development and reclamation projects. These include various new development areas and new town extension; review and rationalisation of brownfield sites and deserted agricultural land in the New Territories; mapping out further development strategy for Lantau and the New Territories North; exploring reclamations outside Victoria Harbour; and developing caverns and underground space, etc.

3.6 As far as housing development is concerned, the Government will, together with the HA, strive to secure suitable housing sites, maximise the use of existing housing sites and streamline the procedures to fast-track the delivery of sites for meeting the increasing demand for public housing. The Government will also endeavour to maintain a steady supply of land for private residential development through land sales and land grants (including those for urban renewal and railway property development projects). The Lands Department has been reviewing the processes under lease and streamlining the procedures in processing lease modifications to facilitate land development. It also launched a Pilot Scheme for Arbitration on Land Premium in October 2014 as an administrative initiative to facilitate early agreement on premium for lease modification/land exchange applications.

3.7 Given the lead time required for site production and housing development, housing supply for the first few years of the coming ten-year projection period will have largely been fixed when the Government announces the updated rolling ten-year housing supply target. Room for adjusting such supply is limited. Hence, the Government will plan ahead for the land required for housing development in the latter part of the ten-year period and beyond to meet the housing supply target. However, the society as a whole would have to acknowledge that, in order to make land available for development to meet the housing supply target, sometimes difficult choices and delicate trade-offs would have to be made by the community. There is simply no magic solution that can increase land supply by rezoning sites for housing use or increasing development intensity but without causing any impact on the local community in the neighbourhood of the sites concerned.

Relevant Processes

3.8 Increasing land supply, either by way of creating new land for development or optimising the use of developed land, has to go through various statutory processes and established procedures. Prior to considering the opening up of a large area for development, a planning and engineering study will usually be required to provide the

basis. During the course of the study, the public and stakeholders will have opportunities to participate and offer views and suggestions, and detailed technical assessments covering the environmental, transport, drainage, sewerage, water supply and air ventilation aspects, etc. will also be required as necessary. In short, a normal study process will include a planning study, technical assessments, public engagement, environmental impact assessment, initial design, etc. Amongst these, public engagement activities in stages will require at least one year, while environmental impact assessment will take at least about two years to complete, including a 12-month ecological baseline study, six to nine months for carrying out various related detailed assessments, and six months for seeking approval of the environmental impact assessment report. Therefore, the study process usually takes three years or even longer to complete.

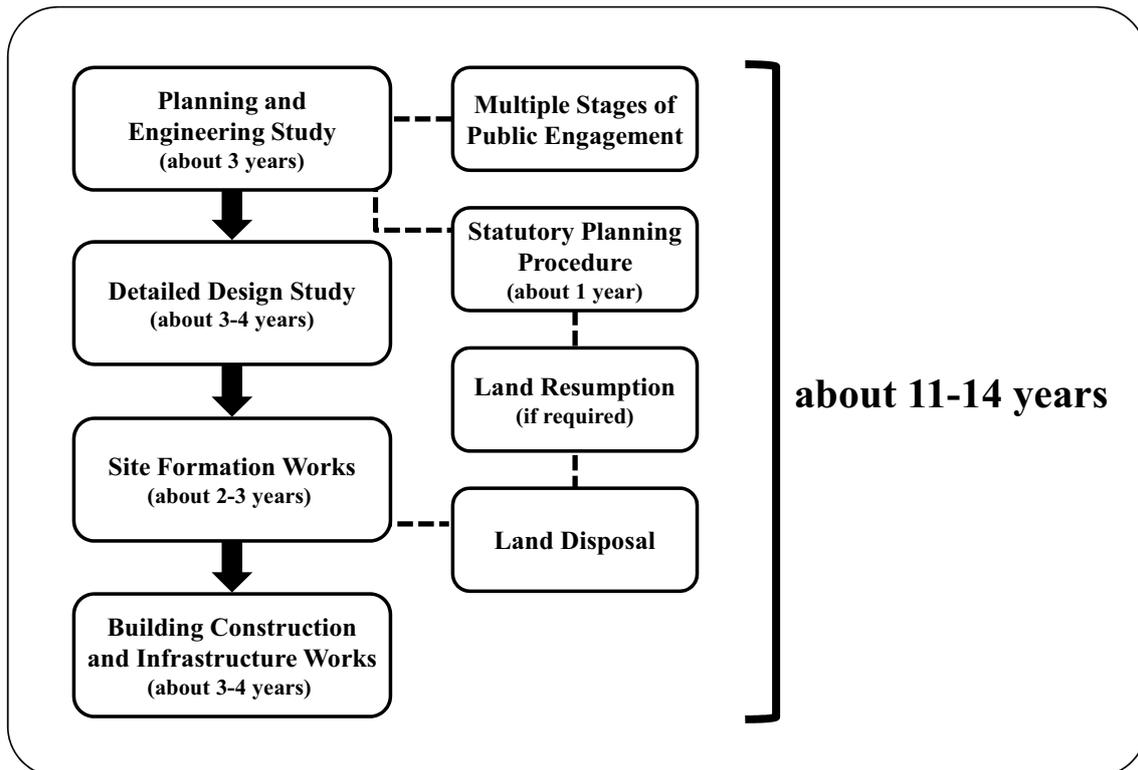
3.9 After formulating the development proposals, the statutory planning procedures including amendments to statutory plans, if required, will begin. The detailed design of works normally requires funding application to the Finance Committee of the LegCo. This part of work takes at least three to four years. It is also necessary to go through the statutory and other procedures in relation to road works, land resumption and clearance, including surveys on the affected people and providing statutory compensation, ex-gratia allowances and rehousing according to the eligibility criteria. Upon completion of the detailed design, the Government needs to seek funding approval from the Finance Committee of the LegCo in phases again for conducting the site formation and related infrastructure works.³

3.10 The relevant works such as site formation, infrastructure and building construction will only commence after completion of the land resumption procedures, which may take five to seven years to

³ In the case of sites for construction of public housing by the HA, generally after site formation the HA will fund the building construction works. Hence, further approval from the Finance Committee of the LegCo for the building construction works is not necessary.

complete⁴. Overall, the entire land and housing development process will usually require a total of 11 years or longer to complete (see Chart 3.2 for an indicative workflow of major processes for land and housing development projects).

Chart 3.2 Major processes for land and housing development projects

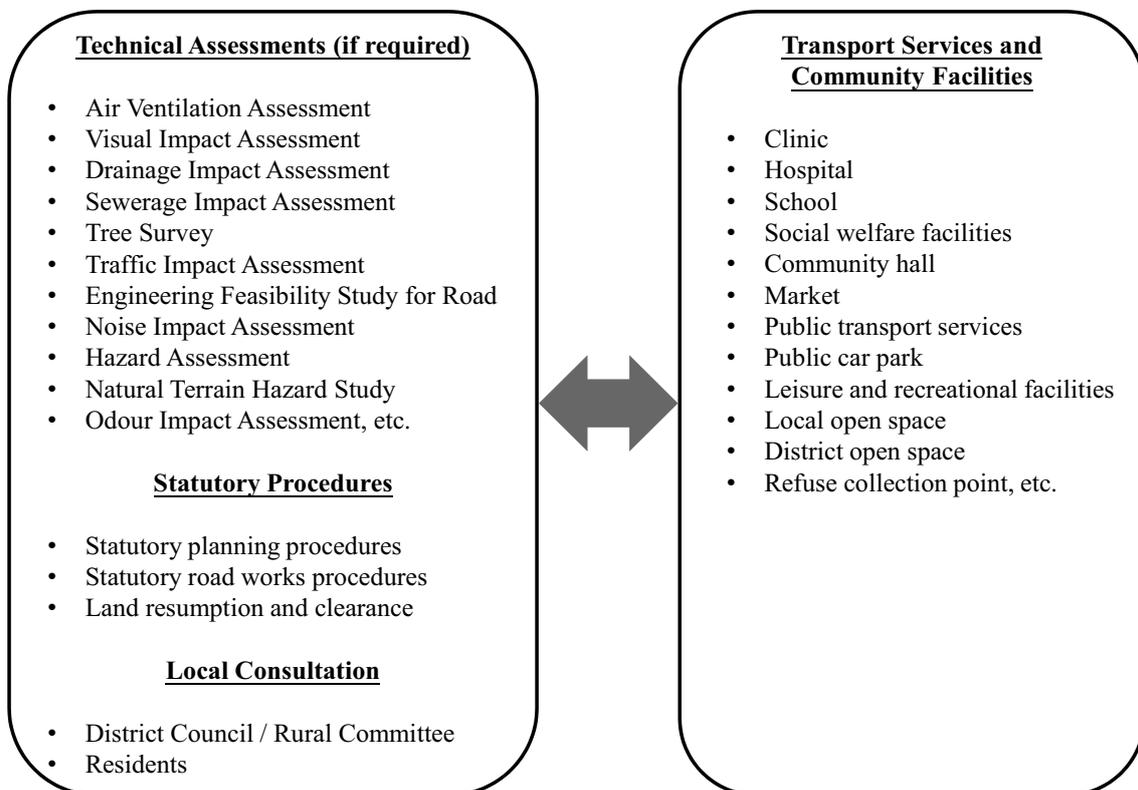


3.11 As for individual site production that seeks to optimise the use of developed land, the Government has to similarly take into account a host of factors, including traffic and infrastructure capacity, provision of community facilities and open space, relevant technical constraints, local characteristics and existing development intensity, potential impacts on the local environment, visual and air ventilation impacts, etc. If necessary, government departments will carry out technical assessments or studies, and recommend measures to mitigate

⁴ In the case of public housing, it normally takes about three and a half years to complete the foundation and construction works for a 40-storey public housing block on "spade ready" sites (i.e. sites which have been properly zoned for residential use, and sites which are resumed, cleared and formed, with adequate provision of infrastructure).

the potential impacts of the proposed development. Apart from the statutory planning and road work procedures, some sites may require land resumption and clearance and/or relocation of the existing or planned facilities. It also takes time to consult the relevant District Councils, local residents and other stakeholders. The time required for site production is thus subject to individual site circumstances and the necessary procedures, and ranges from about one year (for very straight forward cases) to five years (for cases involving some technical studies and clearance) in general or even longer for difficult sites with complicated issues (see Chart 3.3 for an indicative process of individual site production).

Chart 3.3 Indicative process of individual site production



Note: The time required is subject to individual site circumstances and the necessary procedures, and ranges from about one to five years in general or even longer for difficult sites with complicated issues.

Institutional Support

3.12 The Government has put in place an institutional framework to help secure the supply of land for housing development. The Committee on Housing Development, chaired by the Permanent Secretary for Transport and Housing (Housing), is responsible for assessing housing demand, monitoring the timely supply of suitable land for public housing development to meet the anticipated demand, as well as the implementation of the public housing development programme to meet the housing supply targets set by the Government subject to timely availability of land. The Committee on Housing Development is also tasked to advise the Secretary for Transport and Housing on the long term housing supply target.

3.13 The Committee on Planning and Land Development, chaired by the Secretary for Development, steers and coordinates land use planning and land development matters (including planning and allocation of land for various uses such as residential uses), and makes decisions on development proposals and development parameters of individual sites. Matters considered by the Committee on Planning and Land Development involve major planning and land development initiatives to meet the long term needs of Hong Kong, including housing, economic and social development, etc.

3.14 The Steering Committee on Land Supply chaired by the Financial Secretary coordinates the overall plans for development and supply of land for various uses, including housing. With the involvement of relevant Directors of Bureaux and heads of departments, the Steering Committee on Land Supply provides a forum for resolving inter-bureau and inter-departmental issues affecting the availability of individual housing sites (such as infrastructure and facilities provision).

3.15 The terms of reference and membership of the above Committees are set out at [Annex](#).

The Projection and Planning Cycle

3.16 Given the supply-led strategy, it is essential to have projections of demand for the next ten years as well as planning and construction targets which aim at meeting the projected demand. However, there are inherent challenges in actual implementation of the targets.

3.17 For the reasons explained in preceding sections, there is often a long lead time in securing and forming land for housing, and in building housing on such land. Given so, it is inevitable that at the time when a ten-year housing target is adopted, the necessary land, funding, staff, and other resources may not have all been made ready. Put differently, the point of the supply-led strategy is precisely to align all efforts and resources towards meeting the target and hence the projected demand. Therefore, that not all resources may have been readied initially for the ten-year target is not a defect of the LTHS; rather, the LTHS is the Government's policy tool for seeking to address various problems and mobilise relevant resources in a systematic and coordinated manner to achieve the target.

3.18 Another important aspect in understanding the ten-year target is that, again because of the long lead time in the production of land and housing, significant changes between a ten-year target and the next will take time to materialise. For example, if a new ten-year target is higher than the preceding one, it is unlikely that we can make substantial changes to the production programme for the first five-year period. While the interchangeability of PRH and subsidised sale flats provides some flexibility, any necessary changes will mostly have to take place in the second five-year period. This is similarly the case when a new ten-year target is lower than the preceding one, with the exception that land that has become "surplus" can be put in the land reserve, which will be released for use when land and production targets pick up subsequently.

The Challenges Ahead

3.19 The successful implementation of the projection and planning cycle hinges on both the robustness of the long term housing demand projection and the availability of land, manpower and financial resources to achieve the projected supply target. As mentioned earlier, the Government will review the long term housing projection on an annual basis to take into account any changes in policy and/or prevailing circumstances in a timely manner. As for resources, the Government seeks to secure the necessary land, manpower and financial resources to achieve the target. Ultimately, in order to achieve the housing supply target, the support of the community as a whole is indispensable in overcoming various hurdles to make land available for housing construction, including ensuring the timely completion of the necessary planning processes to enable the delivery of land for housing development.

CHAPTER 4

RATIONAL USE OF

PUBLIC RENTAL HOUSING RESOURCES

Helping Those in Need

4.1 PRH is the primary housing solution for low-income families, and the Government is fully committed to providing PRH to those who cannot afford private rental housing. The Government achieves this policy objective primarily through the HA, which develops and implements a public housing programme.

Average Waiting Time for General Applicants

4.2 It has been the target of the HA to maintain the AWT¹ at around three years for general applicants (i.e. family and elderly one-person applicants) for PRH. To underline its commitment to provide adequate and affordable housing to families in need, the Government will continue to support the HA through the provision of land, manpower and financial resources. This will help the HA maintain its AWT target for general applicants at about three years.

4.3 The HA meets the demand for PRH by new flats and refurbished flats surrendered by tenants. The HA monitors the number of new PRH applications, which serves as a medium term reference for the number of flats required to satisfy the demand from

¹ Waiting time refers to the time taken between registration for PRH and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc.). The AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

PRH applicants after three years. The HA also keeps in view the changes in the actual AWT, which captures the latest changes in waiting time of PRH applicants in the past 12 months. The HA takes these factors into consideration and, where appropriate, adjusts the production plans for PRH and subsidised sale flats to meet the PRH demand and to maintain the AWT target at about three years.

Redevelopment of Aged Public Rental Housing Estates

4.4 The primary source of PRH flats is new developments. As for redevelopment of aged PRH estates, according to the “Refined Policy on Redevelopment of Aged Public Rental Housing Estates” formulated by the HA in 2011, the HA will consider redevelopment of individual estates with reference to four basic principles, viz. structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment.

4.5 In considering proposals for redeveloping individual estates, the HA will conduct a series of detailed technical studies and consultations with relevant government bureaux and departments, the District Councils and local communities to determine the associated ancillary facilities such as community, welfare, transport and educational facilities in the wider context of the districts concerned. Upon completion of the detailed technical studies and if it is decided to proceed with redevelopment, the HA will give sufficient advance notice to affected tenants and provide them with financial and other assistance. The HA will normally make formal announcement for redevelopment three years before the clearance operation.

4.6 While redevelopment may increase PRH supply over the long term, it will in the short term reduce PRH stock available for allocation. This will inevitably add further pressure on the HA’s ability in maintaining the AWT target at about three years. The net gain in flat supply from redevelopment will take a long time to realise,

very often towards the latter if not the last phase of the redevelopment. Hence, redevelopment could at best serve as a supplementary source of PRH supply. It is also not advisable to carry out any massive redevelopment programme which will result in freezing a large number of PRH units that may otherwise be allocated to needy households, given the current high demand for PRH. The HA will continue to consider redevelopment on an estate-by-estate basis in accordance with its policies and criteria.

Making the Best Use of Limited Resources

4.7 Despite the best efforts of the Government and the HA, the supply of new PRH units cannot be unlimited from the perspective of both land and financial resources. To ensure that precious PRH resources are used to assist those in genuine need, PRH applicants have to meet eligibility criteria on income and assets. The HA reviews the income and asset limits annually to keep them in line with the prevailing socio-economic circumstances.

4.8 In addition to eligibility criteria on income and assets, it is necessary to have other measures to allocate PRH flats in a fair and rational manner and to ensure the rational use of PRH resources.

Quota and Points System

4.9 With limited resources, it is the priority of the Government and the HA to provide PRH flats to family applicants and elderly one-person applicants. For non-elderly one-person applicants (i.e. those who are below the age of 60), the HA administers a separate Quota and Points System (QPS). Under the QPS, the allocation of PRH to non-elderly one-person applicants is subject to an annual quota. The total points accumulated by applicants on the basis of factors including their age at the time of application; how long they have been waiting for PRH; and whether they are currently living with their families in PRH, determine their priority of allocation. The

three-year AWT target does not apply to applicants under the QPS.

4.10 While family and elderly one-person applicants will continue to enjoy priority access to PRH, the Government understands the difficulties faced by those non-elderly one-person applicants who are relatively aged, as they stand a lower chance for upward mobility. The Government understands that the HA has reviewed and decided that, subject to availability of PRH resources, the annual quota for QPS applicants will be increased. The HA has also decided to assign more points to QPS applicants who are relatively aged, and to conduct regular checking of QPS applicants to remove those who are no longer eligible for PRH. This will enable the HA to better assess the demand for PRH amongst non-elderly one-person applicants. The Government expects the HA to continue to keep the QPS policy under review.

Under-occupation Policy

4.11 The HA implements an Under-occupation (UO) Policy to require households with living space exceeding prescribed standards to move to another PRH flat of an appropriate size². The HA reallocates the units so recovered to households with larger family size, which may be new applicants or overcrowded tenants (see paragraph 4.16 below).

² According to the HA's UO Policy, households with living space exceeding the prescribed UO standards are required to move to another PRH flat of appropriate size. The HA has adopted a phased approach to handle UO cases, and priority is given to handling those Prioritised UO households with living space exceeding the prescribed standards. Under the prevailing UO measures, households with disabled members or elderly members aged 70 or above are excluded from the UO list. In addition, UO households with elderly members aged between 60 and 69 are placed at the end of the UO list for transfer and will not be required to transfer until the next policy review. The latest UO and Prioritised UO standards effective from October 2013 are as follows -

Household Size	1-person	2-person	3-person	4-person	5-person	6-person
UO Standards (Internal Floor Area Exceeding)	25 m ²	35 m ²	44 m ²	56 m ²	62 m ²	71 m ²
Prioritised UO Standards (Internal Floor Area Exceeding)	30 m ²	42 m ²	53 m ²	67 m ²	74 m ²	85 m ²

4.12 To encourage transfer, the HA offers Prioritised UO households a maximum of three housing offers in the residing estate or an estate in the same District Council constituency, Domestic Removal Allowance and opportunity to transfer to new estates subject to availability. If the households refuse all the three housing offers without justified reasons, they are subject to termination of tenancy.

4.13 The HA reviews the UO Policy and its implementation regularly to ensure the rational use of PRH resources. The Government concurs with the UO Policy, and understands that the HA will continue to adopt a reasonable and considerate approach in reviewing and implementing the Policy in order to avoid causing undue hardship to affected tenants.

Well-off Tenants Policies

4.14 Under the HA's "Well-off Tenants Policies", households who have been living in PRH for ten years or more are required to declare their income (and where appropriate, assets) regularly. PRH households with income exceeding the prescribed income limits are required to pay additional rents, whereas households with income and assets value both exceeding the prescribed income and asset limits are required to vacate their PRH flats³.

4.15 The Government understands that the HA will continue to implement the Well-off Tenants Policies and keep the Policies under review to ensure the best use of PRH resources. Meanwhile, the

³ The HA's Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources are commonly referred to as the "Well-off Tenants Policies". Under the Housing Subsidy Policy, households living in PRH for ten years or more are required to declare household income biennially. Those with a household income exceeding the corresponding Subsidy Income Limits have to pay additional rent: (a) those with household income equivalent to two to three times of the PRH Income Limits are required to pay 1.5 times net rent plus rates; and (b) those with household income exceeding three times of the PRH Income Limits are required to pay double net rent plus rates. The PRH Income Limits are subject to annual review. At the same time, under the Policy on Safeguarding Rational Allocation of Public Housing Resources, households paying double net rent plus rates under the Housing Subsidy Policy have to declare their assets biennially. Those with total household income and net assets value both exceeding the prescribed Income and Net Assets Limits are required to vacate their PRH flats.

Government's policy commitment to provide subsidised sale flats (see Chapter 5) will offer an avenue and appropriate incentives for better-off PRH tenants to move out from their PRH units and buy their own homes. This will help better-off tenants move up the housing ladder, thereby releasing precious PRH resources to meet the demand from PRH applicants.

Other Measures

4.16 Under the HA's existing policy, the allocation standard of PRH is no less than 7m² of internal floor area (IFA) per person⁴ as far as resources permit. Subject to the availability of housing resources, the HA arranges relief exercises each year for PRH households whose living space is below prescribed levels⁵. The Government supports the HA's efforts in relieving overcrowded PRH households, which is rational use of PRH resources. The Government calls on the HA to continue to keep under review its allocation standard and the policy for relieving overcrowding, striking a balance between the needs of existing tenants and applicants.

4.17 The Government expects the HA to implement additional measures where appropriate to ensure the allocation of PRH flats to people in genuine need. The HA should also step up its efforts in detecting and tackling tenancy abuse cases.

⁴ In practice, the actual IFA per person of PRH tenants has been gradually increased to 13m² over the years.

⁵ Under the HA's existing policy, households are defined as overcrowded if the IFA of the flats are less than 5.5m² per person. Such overcrowded families may apply through the Territory-wide Overcrowding Relief Transfer Exercise for relocation to larger flats. Those families with IFA below 7m² per person (i.e. the existing PRH allocation standard) may apply for the Living Space Improvement Transfer Scheme to improve their living condition. Subject to the availability of resources, the HA arranges about one to two Territory-wide Overcrowding Relief exercises and one Living Space Improvement Transfer Scheme exercise each year.

CHAPTER 5

SUBSIDISED HOME OWNERSHIP

An Essential Element of the Housing Ladder

5.1 For some lower to middle-income families, HOS flats and other forms of subsidised sale flats serve as the first step for home ownership. Subsidised sale flats also provide an avenue for better-off PRH tenants to buy their own homes, thereby releasing their PRH flats for use by those who are in genuine need. Subsidised home ownership is an essential element of the housing ladder which helps promote social mobility. It is a core component of the Government's LTHS.

5.2 To ensure the rational use of public resources, buyers of subsidised sale flats are subject to eligibility criteria on income and assets¹. According to the HA's policy, the income limit for the HOS is set taking into account the housing and non-housing costs for families to purchase a reasonably sized flat in the private sector², whereas the asset limit is derived from the amount of expenditure required to finance downpayment and the related transaction costs and decoration expenses. As for pricing, the selling prices of HOS flats are determined by applying a discount to the market value, and the discount is related to the affordability of the eligible households within the HOS income limit³. The Government concurs with the HA's general policies on eligibility criteria and pricing for the HOS, and understands the HA will ensure that the relevant income and asset limits and pricing of HOS flats will largely reflect the affordability of

¹ Except those with "Green Form" status, i.e. PRH tenants and PRH applicants who have undergone detailed vetting and are due for allocation of PRH within one year.

² Housing cost is based on the monthly expenditure for owning a ten-year-old private flat of about 40m² saleable area in the Extended Urban area or the New Territories. Non-housing cost is based on the average household expenditure of the middle one-third expenditure group of four-person households amongst tenant households in the private sector.

³ The general guideline is to offer a discount of 30% from market value. A higher discount may be considered to ensure that the HOS flats are affordable to the target households.

the target households under the prevailing socio-economic conditions.

5.3 The Government will keep in view the operation of the HOS, which continues to be the main vehicle for subsidised home ownership. In reinforcing the housing ladder and promoting social mobility, the Government will consider how to expand the forms of subsidised home ownership and, where appropriate, introduce supplementary schemes of subsidised sale flats.

5.4 The Government will identify suitable sites for the development of subsidised sale flats. As noted in Chapter 3, given the unique nature of subsidised sale flats as a buffer between PRH and private housing, the HA needs to maintain the inter-changeability of PRH and subsidised sale flats and adjust their numbers timely to better respond to changes in market situations and the housing needs of the community.

Leveraging on the Private Sector's Capacity

5.5 The private sector had in the past contributed to the provision of subsidised sale flats through the Private Sector Participation Scheme (PSPS)⁴. Subsidised sale flats from PSPS projects were first launched for sale in 1978, as a supplement to the HOS flats constructed by the HA. Until the termination of the PSPS following the then Government's repositioning of housing policy in 2002, the PSPS produced a total of about 98 000 flats in 47 projects. The PSPS has contributed considerably towards the provision of subsidised sale flats, though there were criticisms on the quality of some PSPS flats.

⁴ Under the then PSPS, the Government offered sites by tender to private developers to build flats according to requirements laid down in a Technical Schedule. Under the lease of the PSPS, flats had to be sold to purchasers nominated by the HA. Purchasers were subject to the same set of eligibility criteria and resale restrictions as were applicable to subsidised sale flats sold under the HOS.

5.6 Subsidised sale flats are expected to play a crucial role in the Government's supply-led strategy in meeting the housing needs of the community. Drawing on past experience, the Government will explore suitable arrangements to leverage on the private sector's capacity to supplement the Government's efforts in providing subsidised sale flats in order to achieve the ambitious supply target. The arrangement should also be conducive to the delivery of quality flats.

Facilitating Circulation

5.7 The Government has introduced the HOS and other assisted home ownership schemes for decades. Some families may no longer have need for the subsidised sale flats they owned in view of changes in circumstances. However, the requirement that owners of subsidised sale flats have to pay premium in order to trade their flats in the open market may have discouraged the release of such flats in the open market. To facilitate the circulation of subsidised sale flats and maximise the effect of the housing ladder under the supply-led strategy, it is necessary to make better use of such housing resources by allowing more people to have access to subsidised sale flats, either with or without premium paid.

5.8 Both the HA and the HS have introduced a Secondary Market arrangement to allow selling of subsidised sale flats to households with Green Form status without payment of premium. As at end September 2014, there were a total of about 380 000 subsidised sale flats with premium not yet paid that can be sold in the Secondary Market. They provide an alternative source of subsidised sale flats, in addition to newly built flats, that could help the relevant sectors of the community to meet their home ownership aspirations.

5.9 In addition, to implement the Chief Executive's 2012 Election Manifesto, an Interim Scheme was launched in 2013 to extend the Secondary Market arrangement for subsidised sale flats to White Form buyers⁵ in the interim period before new HOS flats are released to the market. In light of the demand for subsidised sale flats, the Government understands that the HA will launch an extra round of the Interim Scheme before conducting a full review and deciding on the next step forward.

5.10 Meanwhile, the Government will continue to explore effective means to facilitate better use of the existing stock of subsidised sale flats, including promoting their market circulation.

⁵ White Form buyers refer to households meeting the eligibility criteria to buy subsidised sale flats from the HA or the HS, but without Green Form status.

CHAPTER 6

HEALTHY AND STABLE

RESIDENTIAL PROPERTY MARKET

6.1 Over half of all households in Hong Kong are living in private housing (including both self-owned and rental units). In addition, property market trends have a direct impact upon the macroeconomy and the financial system. Maintaining the healthy and stable development of the private property market is therefore one of the important housing policy objectives of the Government. The Government will continue to adopt a two-pronged approach in securing a stable supply of land to meet market demand and curbing external and speculative demands as and when necessary to help stabilise the property market and prevent the adverse consequences arising from an overheated market.

Stable Land Supply

6.2 A tight demand-supply market balance is one of the major reasons for the rally in flat prices and rentals in the past few years. The Government is determined to tackle the problem at source by securing an adequate supply of land. As mentioned in Chapter 3, the Government adopts a multi-pronged strategy comprising short, medium and long term measures to continually expand land resources through optimal use of developed land and development of new land and new towns.

6.3 Apart from the above measures to increase land supply, the Government will strive to enhance efficiency in land and housing supply through streamlining the procedures and enhancing the land administration mechanism. The Government will continue its efforts on this front and carry out review from time to time to facilitate the housing development processes.

Promoting Good Practices

6.4 The full implementation of the Residential Properties (First-hand Sales) Ordinance (Cap. 621) since April 2013 has greatly enhanced the transparency and fairness of the sales of first-hand residential properties and strengthened consumer protection. Such good practices have been extending to the second-hand residential property market. For example, under a practice circular issued by the Estate Agents Authority, estate agents are required to provide their clients of second-hand residential properties with area and price information on the basis of saleable area.

6.5 The Government considers that there is a case to similarly promote good practices in the tenancy market. The Government will continue to work with relevant organisations to enhance public education efforts and to promote good tenancy practices, such as the signing of tenancy agreements.

Demand-side Management Measures

6.6 While the long term solution to achieving a healthy and stable residential property market lies in adequate long term land and housing supply, it is important for the Government to closely monitor the market situation as well as changes in the local economy and the external environment, and introduce demand-side management measures as and when necessary.

6.7 In the past few years, ultra-low interest rates and abundant liquidity under the loose global monetary environment have seen the local property market out of line with economic fundamentals, with heightened risk of a bubble. Against such background, the Government has introduced several rounds of demand-side management measures over the past few years, with a view to curbing speculative activities, reducing the risk of the development of an asset bubble and preventing even further exuberance in the housing market

which may pose significant risks to our macroeconomic and financial sector stability. These demand-side management measures include the introduction of a Special Stamp Duty (November 2010 and October 2012), a Buyer's Stamp Duty (October 2012) and a doubled ad valorem stamp duty (February 2013).

6.8 Demand-side management measures are extraordinary measures introduced under exceptional circumstances. They serve only as supplementary measures that help stabilise the property market. The Government will remain vigilant and continue to monitor the property market closely with reference to a series of indicators, including property prices, affordability, transaction volume, supply situation, mortgage to income ratio, etc., as well as changes in the local and global economic situations (e.g. fiscal measures introduced by other countries and regions in response to market situation). Keeping the evolving external environment and market conditions in view, the Government will consider adjusting existing measures or putting in place new measures as and when necessary.

6.9 The Government will also keep a close eye on market demand. In particular, as set out in Chapter 3, the Government will review and update the projection of long term housing demand on an annual basis to take into account any changes in policy or prevailing circumstances with a view to formulating an appropriate long term housing supply target. This will enable the Government to respond to any changes in a more timely manner before the building up of a huge imbalance between supply and demand.

Inadequately Housed Households

6.10 The living conditions of inadequately housed households (IHH) have been a cause for public concern. Over the years, accommodation for IHHs has taken many different forms. In the past, typical accommodations for IHHs range from temporary structures such as huts, squatters and roof-top structures, to shared units within building blocks such as cocklofts, cubicles and bedspaces.

More recently, there has been a proliferation, particularly in the urban area, of SDUs in residential, composite or even industrial buildings.

6.11 Regardless of the forms that the accommodation for IHHs may take or the reasons for their existence, the Government considers that IHHs should have access to adequate accommodation, and that PRH should be the primary solution for many such households. Therefore, the projection of long term housing demand under the LTHS takes into account the housing needs of IHHs, and targets for PRH and subsidised sale flats derived under the LTHS will in the long term address the housing needs of IHHs. Many IHHs have applied for PRH, and increased PRH production will meet their needs over time. As for the other IHHs, the Government's measures to maintain a stable and healthy residential property market will help stabilise rents and in turn help IHHs as they are mostly living in rented accommodation.

6.12 Even though the LTHS Steering Committee's public consultation document put forward a suggestion to introduce a licensing or landlord registration system to regulate SDUs, the Government notes that the community expressed considerable reservations over the suggestion during the LTHS public consultation exercise. There were concerns that a licensing or landlord registration system would reduce the supply of SDUs and drive up the rents of SDUs, thus causing further hardship to SDU tenants. There were also concerns that a regulatory system that would only subject SDUs to a loose set of licensing or registration requirements would compromise the safety of SDU tenants and residents living in the same buildings. Some property owners who were not SDU landlords were concerned about the structural safety, environmental hygiene and building management of buildings with a large number of SDUs.

6.13 In view of the concerns expressed by the community, the Government will not introduce any licensing or landlord registration system for SDUs. However, the building and fire safety of IHHs, particularly those who are living in SDUs, should under no circumstances be compromised. The Government will therefore adopt a multi-pronged approach in addressing the safety issues associated with SDUs. The Buildings Department's Minor Works

Control System allows landlords, including those leasing out domestic SDUs, to carry out minor works in private residential and composite buildings lawfully through simplified procedures. In terms of enforcement, the Buildings Department will continue to step up its efforts to eradicate SDUs in industrial buildings. It will adopt a risk-oriented approach by targeting its inspection and enforcement action at industrial buildings more likely to have SDUs. As for SDUs in residential and composite buildings, the Buildings Department will continue its intensified enforcement action against irregularities relating to building and fire safety. In addition, the Government will enhance its public education efforts to promote awareness of building and fire safety amongst prospective SDU tenants.

6.14 There have been suggestions for the Government to provide transitional housing on urban sites which do not have other immediate uses to accommodate IHHs. The Government has looked into such suggestions but found them not practicable. First of all, given the lack of urban land, suitable urban sites for housing should be reserved for PRH flats as far as possible, which will ultimately benefit those IHHs who are PRH applicants. Furthermore, 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 that take time to complete (such as the provision of sewerage). In any case, the size and number of such temporary sites are bound to be very limited. They would not be able to provide the intended short term relief for a large number of IHHs.

Tenancy Control

6.15 There have been suggestions for the reintroduction of forms of tenancy control (including control on rents and control on tenure) by way of legislation to help safeguard the interest of grassroots tenants, such as tenants living in SDUs.

6.16 While the Government takes note of such suggestions and the motive behind them to contain private housing rental increase, there have been contrary views from many other members of the public. Reintroducing tenancy control is a highly controversial issue and there is as yet no consensus in the community over this issue. Drawing reference from the history of tenancy control in Hong Kong and studying overseas experience, the Government notes that despite the good intention of the advocates, tenancy control measures often lead to an array of unintended consequences, including those to the detriment of some of the tenants whom the measures seek to assist. Such unintended consequences include –

- (a) ***Reducing supply of rented accommodation*** : An artificially suppressed market rent may reduce the incentive and willingness of landlords to lease out their premises. It may even result in fewer housing units being built, leading to further drop in the supply of rented accommodation;
- (b) ***Limiting access to adequate housing by the socially disadvantaged*** : Some landlords may become more selective about their tenants as it will be more difficult to terminate a tenancy under tenancy control. As a result, those with unstable financial means (e.g. daily-waged workers), ethnic minorities, persons with disabilities, and other socially disadvantaged groups may find it even more difficult to find rented accommodation;
- (c) ***Encouraging certain behaviour from landlords to offset the impact of the tenancy control measures*** : Such behaviour may include charging a higher initial rent; asking for more deposit money, demanding different kinds of side payments; overcharging tenants on certain payments directly associated with the lease (e.g. management fees, gas/water charges, electricity fee, etc.); and altering the lease terms to the effect that the premises concerned will not be subject to any form of tenancy control; and

- (d) ***Discouraging proper maintenance of the rented accommodation*** : As landlords will not receive any additional rental income for their investment in repairs and maintenance, tenancy control may induce landlords to leave their premises to deteriorate, causing a drop in the overall housing quality.

6.17 Public views on the subject are diverse. While there is considerable support of the revival of tenancy control among IHHs and concern groups championing grassroots rights, others cast doubts on the effectiveness of the measure in offering the desired protection to grassroots tenants, having regard to the unintended consequences aforementioned.

6.18 Weighing the pros and cons, the Government is of the view that it will not be in the interest of IHHs and of the general public to introduce any tenancy control measures in Hong Kong, given the lack of public consensus and considering the potential adverse consequences associated with these measures which render them counter-productive. The Government believes that a continued increase in housing supply should be the fundamental solution to the problem of surging rent caused by insufficient supply. No quick fix is available.

CHAPTER 7

CONCLUSION

A Firm Foundation

7.1 This LTHS sets out a new and objective method to project and update long term housing demand and, based on which, the long term housing supply target; a comprehensive strategy for securing land for housing development; and a clear policy direction for developing public housing and maintaining the stability of the private residential market. The LTHS has accordingly laid a firm foundation and a sustainable path for ultimately realising the vision of helping all households in Hong Kong gain access to adequate and affordable housing.

Partnership for Implementation

7.2 The Government will spearhead the implementation of the LTHS. In addition to projecting and updating the long term housing demand projection and supply target, the Government will coordinate the efforts of bureaux and departments concerned in securing the land, financial and manpower resources necessary to achieve the housing supply targets.

7.3 At the same time, the Government fully understands that the realisation of the long term housing vision takes time and calls for the concerted efforts of the whole community especially when difficult choices have to be made in balancing diverse interests and objectives. In the course of land and housing development, the Government will strive to provide the necessary transport and community facilities. It will also engage the local communities and address their concerns as far as practicable. The Government will also work closely with the various parties involved in housing

development to ensure a smooth process for the timely delivery of housing supply.

Hong Kong Housing Authority

7.4 Being the primary provider of public housing in Hong Kong, the HA will play a prominent role in delivering the public housing supply target under the LTHS. As mentioned in the preceding chapters, the Government supports the HA's policies on PRH allocation and utilisation, as well as the HA's eligibility criteria and pricing policy for its subsidised sale flats.

7.5 To underline its commitment to support the HA in providing adequate and affordable public housing for those in need, the Government will provide the HA with formed land and supporting infrastructure for the HA to deliver the majority of the public housing portion of the rolling ten-year housing supply targets. In terms of manpower, the Government will examine and consider requests for civil service posts subject to the Government's overall establishment control. Nevertheless, the HA may, taking into account the need to maintain flexibility and sustainability, prudently assess and secure other manpower resources required in accordance with its own manpower policies.

7.6 Financially, due to the increase in public housing production under a supply-led strategy, the HA will come under increasing fiscal pressure in the longer term and is likely to require financial support from the Government to deliver its public housing programme. The Government expects the HA to vigorously control its recurrent and capital expenditure, including in particular works expenditure, and to seek to enhance its revenues including rental and investment returns.

7.7 On its part the Government will take into account the HA's finances when considering matters such as options for delivering subsidised sale flats, including the possibility of private sector participation, as well as ways to facilitate turnover and

circulation of public housing flats to meet increasing demand. The Government expects the HA to closely monitor its medium and long term financial requirements including continuous assessment through its established annual exercise for five year Budgets and Forecasts and, when financial assistance is needed from the Government, submit in a timely manner proposals for such assistance.

Hong Kong Housing Society

7.8 The HS is an independent organisation established in 1948 with the mission to serve the needs of the Hong Kong community in housing and related services. Throughout the years, the HS has been playing an active role in the provision of public rental units at affordable rents for low-income households, and the development of subsidised sale projects. The HS has also been assuming the unique role of “housing laboratory” in trying out innovative housing schemes.

7.9 The Government considers the HS to be a close partner in meeting the housing needs of the community. The Government will work closely with the HS and will continue to grant suitable sites for the HS to develop its housing projects subject to the overall planning of land resources.

Urban Renewal Authority

7.10 Under the Urban Renewal Authority Ordinance (Cap. 563), the URA has the statutory role to undertake, encourage, promote and facilitate the regeneration of the older urban areas of Hong Kong. In the course of urban renewal, the URA has been making a useful contribution towards new housing supply though in modest number.

7.11 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 45m² per unit, as much as practicable. The Government

expects the URA to continue to redevelop old and dilapidated private buildings and contribute to new private housing supply in the process, including making available more small and medium-sized flats in its redevelopment projects to cater for the mass housing market.

The Private Sector

7.12 The private sector has been a major provider of housing in Hong Kong. As at end June 2014, private residential units constituted about 56% of the total housing stock in Hong Kong. The private sector thus plays a crucial role in meeting the housing needs of the community.

7.13 In addition to private housing development, the private sector could supplement the efforts of the Government in the provision of subsidised sale flats through special public-private partnership schemes. As mentioned in Chapter 5, the Government will explore possible arrangements to tap into the resources of the private sector to help meet the community's demand for subsidised sale flats.

The Construction Industry

7.14 In addition to land and financial resources, sufficient manpower supply in the construction industry is also essential in meeting the long term housing supply target. In this regard, the Construction Industry Council has been implementing initiatives to enhance the training of local construction workers and to uplift the image of the construction industry. The Development Bureau will continue to collaborate with the Construction Industry Council to address manpower demand of the industry through training and re-training of local workers and attracting more new entrants to join the industry.

7.15 Nonetheless, there are limitations in training local workers to fully meet the mounting manpower demand. With due regard to the cardinal principle of not affecting the employment and not lowering wages of local workers, the construction industry needs to import some skilled workers in a timely manner to help cope with any identified shortage.

Public Support

7.16 Public support for land and housing production is the key to the achievement of the long term housing supply target. Hong Kong is a highly developed and densely populated metropolis. Any new land and housing development will likely have an impact on the neighbourhood. While the Government will continue to make its best efforts in engaging the local communities and in addressing local concerns, the public's considered view and overall interest are crucial in any ultimate decision to take forward any new development plans.

7.17 There is neither quick nor easy solution to increase land and housing supply. The community needs to accept trade-offs regardless of whether short term measures (such as an increase in development density) or long term measures (such as reclamation) are pursued to increase land supply. The Government calls on all strata of the community to accord priority to the overall housing needs of the general public and lend their support to realising the long term housing supply target, and to make decisions with foresight so that our next generation can look forward to better and more affordable housing with confidence.

Terms of Reference and Membership of Government Committees Relating to Housing and Land Supply

I. The Committee on Housing Development

Terms of Reference

1. To endorse the results of the assessment of long term housing demand;
2. to advise the Secretary for Transport and Housing on the long term housing supply target;
3. to consider the housing type (public or private) of identified residential sites;
4. to monitor the timely supply of suitable land for public housing development to meet the anticipated demand; and
5. to consider and address major inter-departmental or cross-bureau issues that will affect timely supply of suitable public housing land.

Membership

Chairman: Permanent Secretary for Transport and Housing
(Housing)

Members: Permanent Secretary for Development (Planning
and Lands)
Deputy Secretary, Development Bureau
(Planning and Lands)
Director of Planning
Director of Lands
Director of Civil Engineering and Development
Deputy Director (Strategy), Housing Department
Deputy Director (Development & Construction),
Housing Department

Co-opted Members: Government Economist

Secretary:

Director of Environmental Protection
Other Bureaux/Departments if required
Chief Planning Officer, Housing Department

II. Committee on Planning and Land Development

Terms of Reference

1. To oversee the formulation and review of development strategies, and sub-regional and sectoral planning studies of strategic significance;
2. to consider development proposals from both the private and non-Government sectors and, where appropriate, ensure coordination and cooperation within the Government in order to facilitate the processing and implementation of such projects;
3. to consider and review policies on production, acquisition, use and disposal of land;
4. to perform a clearing house function for determining the development density of individual Government land sale sites and developments for which lease modification or planning approval is required;
5. to consider and approve land-use planning standards and guidelines;
6. to consider the need for the preparation or replacement of statutory plans;
7. to consider and approve outline development and layout plans;
8. to consider recommendations on land-use planning and control relating to potentially hazardous installations;
9. to consider population distribution projections for assessing development needs and planning of provision of facilities; and
10. to escalate matters to the Policy Committee for attention or resolution.

Membership

<i>Chairman:</i>	Secretary for Development
<i>Members:</i>	Permanent Secretary for Development (Planning and Lands)
	Permanent Secretary for Development (Works)
	Permanent Secretary for Financial Services and the Treasury (Treasury)
	Permanent Secretary for Transport and Housing (Transport)
	Permanent Secretary for the Environment / Director of Environmental Protection
	Director of Housing
	Director of Civil Engineering and Development
	Director of Home Affairs
	Director of Lands
	Director of Planning
	Director of Architectural Services
	Government Economist
	Deputy Secretary (Planning and Lands) 1
<i>Secretary:</i>	Principal Assistant Secretary (Planning and Lands) 2, Development Bureau

III. Steering Committee on Land Supply

Terms of Reference

1. To coordinate the overall plans for development and supply of land in Hong Kong for different types of land uses;
2. to monitor, prioritise, coordinate and steer the development of needed infrastructure in support of the timely supply of public and private housing land;
3. to select the optimal options in identifying the supply of public and private housing land;
4. to build up a land reserve of sufficient size for future disposal; and
5. to provide a forum to resolve inter-bureau and inter-departmental issues affecting the availability of individual housing sites.

Membership

Chairman: Financial Secretary

Members: Secretary for Development
Secretary for Transport and Housing
Secretary for the Environment
Secretary for Financial Services and the Treasury
Permanent Secretary for Transport and Housing
(Housing) / Director of Housing
Permanent Secretary for the Environment / Director of
Environmental Protection
Director of Planning
Director of Lands
Commissioner for Transport
Director of Civil Engineering and Development
Other Principal Officials and Heads of Department
may be invited to attend on a need basis

Secretary: Principal Assistant Secretary (Planning and Lands) 2,
Development Bureau

LIST OF ABBREVIATIONS

AWT	Average waiting time
C&SD	Census and Statistics Department
HA	Hong Kong Housing Authority
HOS	Home Ownership Scheme
HS	Hong Kong Housing Society
IFA	Internal floor area
IHH	Inadequately housed household
LegCo	Legislative Council
LTHS	Long Term Housing Strategy
PRH	Public rental housing
PSPS	Private Sector Participation Scheme
QPS	Quota and Points System
SDU	Subdivided unit
UO	Under-occupation
URA	Urban Renewal Authority

