

Government announces policy framework for Private Subsidised Sale Flat – Pilot Scheme

The Chief Executive in Council today (June 13) approved the policy framework for the Private Subsidised Sale Flat – Pilot Scheme (the Pilot Scheme). The Pilot Scheme is an initiative announced by the Chief Executive in the 2022 Policy Address, with an aim to tap into the market forces and promote public-private partnership to encourage private developers to participate in developing subsidised sale flats (SSFs).

A spokesman for the Housing Bureau said that under the Pilot Scheme, the Government will put up three Government sites for tender in batches from the 2023/24 financial year onwards for private developers to develop SSFs ("public tendering approach"); and encourage private developers to apply for rezoning of their own land for developing SSFs through offering concessionary land premium for the relevant land exchange or lease modification ("private land approach").

The Secretary for Housing, Ms Winnie Ho, said, "Launching the Pilot Scheme can help enhance the construction capacity, save time required for development, and unleash development potential of private land. These subsidised sale flats built by private developers (private SSFs) are of the same rung as Home Ownership Scheme (HOS) flats in the housing ladder. Nonetheless, with the experience in constructing private residential properties, developers may bring new perspectives to the design of the flats, making the design of SSFs more diversified and providing more options to buyers."

Regardless of whether the site is offered through the "public tendering approach" or the "private land approach", the development will be clearly positioned as one developed and sold by the private developers such that they will take ownership of its quality. To ensure that the developments can better meet the public's demand and affordability, the Government has set key parameters for the Pilot Scheme, including requirements on pricing, land premium, flat size, flat quality, eligibility criteria of buyers, etc.

On pricing, drawing reference from the average discount rate adopted in different HOS sale exercises since the resumption of HOS sale in 2014, the fixed discount rate for the sale price of private SSFs is set at 35 per cent of the market price.

As regards land premium, for the "public tendering approach", the Lands Department will set a reserve price taking into account the 35 per cent discount rate for sale prices of private SSFs. As per established practice, if none of the bids received reaches the reserve price, the tender will not be awarded. For the "private land approach", making reference to the land

premium arrangement for the Hong Kong Housing Society's SSF projects, the land premium to be charged for the lease modification or land exchange application to be submitted by the private developers will be set at a concessionary rate of one-third of market value for the domestic portion while full market value will be charged for the non-domestic portion of the site.

To ensure that developers will not build too many small flats while providing flexibility for them to design the appropriate flat mix in response to market needs, all flats built under the Pilot Scheme must comply with the minimum saleable area (SA) requirement currently set by the Government for land sale sites, i.e. 26 square metres. In addition, the relevant land documents will specify the minimum number of flats to be built, and stipulate that not less than 70 per cent of the flats should be no smaller than 34.8 sq m in SA, i.e. the lower end of the size range in HOS development for accommodating three to four persons.

Developers will be responsible for putting up all the flats in the development for sale. The Government or the Hong Kong Housing Authority will not buy back any unsold flats from the developers. This will provide stronger incentives for developers to ensure flat quality for better sale outcome and to uphold their business reputation. To provide additional safeguard for the quality and workmanship of the flats, developers will be required to employ an independent checker to conduct final inspection of building works. The basic requirements for inspection, and the need for developers to submit a report to the satisfaction of the Secretary for Housing with the independent checker certifying compliance with the requirements, will be stipulated in the relevant land documents.

The buyer eligibility criteria (including income and asset limits) and alienation restrictions will follow those under the prevailing HOS and housing policy. If individual developers wish to use their own land to assist a particular target group (e.g. youth) to meet their homeownership aspirations, the Government will allow the developers to make minor modification to the eligibility criteria on top of the HOS requirements under the "private land approach". Such minor modification should however be considered and approved by the Secretary for Housing on a case-by-case basis.

The Government has identified two sites for tender under the Pilot Scheme, namely a formed site in Tung Chung Area 122 and an unformed site in Cheung Man Road, Chai Wan. The two sites can provide around 1 600 and 700 SSF flats respectively.

"We plan to tender the Tung Chung site by end-2023, followed by the Chai Wan site in the first quarter of 2024. The Government is reviewing the options for the third tender site. Details will be announced in due course", the spokesman said.

"I look forward to active participation of developers in the Pilot Scheme to jointly develop SSFs," Ms Ho said.

The key parameters of the policy framework and the PowerPoint slides presented at the press conference announcing the policy framework today are in Annex 1 and Annex 2 respectively.