

# Government announces six new initiatives on housing (with photo/video)

The Chief Executive, Mrs Carrie Lam, together with the Financial Secretary, Mr Paul Chan; the Secretary for Development, Mr Michael Wong; and the Secretary for Transport and Housing, Mr Frank Chan Fan, announced today (June 29) a package of six new initiatives on housing.

"As I said in my maiden Policy Address delivered last October, the housing problem is the most challenging, formidable and complex among all livelihood issues. It is also the very issue that our people most earnestly look to the current-term Government to resolve with innovative solutions in a resolute manner. The new initiatives on housing announced today address some of the people's concerns, but we need to expand our developable land in order to significantly boost housing supply. The Government will do its utmost to reverse the current situation in which housing supply cannot meet the demand and property prices continue to soar," Mrs Lam said.

"The Task Force on Land Supply is carrying out a major public engagement exercise and is expected to draw up a comprehensive package of proposals and a visionary land supply strategy by the end of this year for the Government's consideration. I believe that the initiatives announced today will help the community focus its discussion on increasing land supply and build a broad consensus," she added.

Mrs Lam introduced six new housing initiatives, which aim to meet three objectives, namely making subsidised sale flats (SSFs) more affordable, increasing supply of subsidised housing units and enhancing support for transitional housing supply, and encouraging more timely supply of first-hand private flats.

## Revising the pricing policy for SSFs

"To make SSFs more affordable to lower- to middle-income households, we will revise the affordability test of the existing pricing mechanism for the Home Ownership Scheme (HOS) by using the median monthly household income of non-owner occupier households (currently around \$39,500, net of Mandatory Provident Fund (MPF) contributions) as the reference point instead of the income limit of White Form (WF) family applicants (currently \$57,000, net of MPF contributions), and ensuring that at least 75 per cent of flats are affordable (increased from 50 per cent). If we had adopted the new affordability test in the 2018 HOS sale, the flats would be sold at 52 per cent instead of the original 70 per cent of the 'assessed market value'," Mrs Lam said.

Under the existing pricing policy, the Hong Kong Housing Authority (HA) prices HOS flats at a 30 per cent discount from "assessed market value" if the resultant prices meet the affordability test. The test is met if, for at least 50 per cent of the flats, households with income at the prevailing income limit for WF family applicants (\$57,000, net of MPF contributions) need not use more than 40 per cent of their income on mortgage payments. If the affordability test is not satisfied, a discount higher than 30 per cent will be offered.

In simple terms, the income limit of WF family applicants represents the amount of household income required to purchase a reasonably sized flat in the private sector. Households with income below the limit are deemed to be unable to afford home ownership in the private sector and hence qualified for the HOS. In other words, the WF income limit includes a housing cost element which inevitably varies with private property prices. Such a linkage is logical for the purpose of determining the eligibility for the HOS since the higher the price of an average property in the private market, the more households would find it unaffordable and need government assistance for purchasing property. An income limit that is linked to market prices of private housing serves precisely this purpose and should remain unchanged.

However, when the WF income limit is used as a benchmark in the affordability test, it may create an issue: as the WF income limit rises with market prices, more applicants will find it difficult to afford the HOS prices determined by reference to the WF income limit.

"The Government has reviewed the affordability test and found that there is room to fine-tune the test by delinking it from the reference to the HOS income limit, hence removing its indirect link with private property prices," Mrs Lam said.

As for the pricing mechanism for the Green Form Subsidised Home Ownership Scheme (GSH), there would be a further discount of 10 per cent for the GSH from that decided for the preceding HOS sale exercise.

With the introduction of a new pricing mechanism which may give rise to selling HOS and GSH flats at higher discount from assessed market values, the Government proposes that the HA consider tightening the alienation restrictions for SSFs. There will be no changes to all other elements of the established pricing mechanism, which include adopting a single discount rate in the pricing of all flats in a sale exercise and ensuring the HA will not incur a loss in each sale exercise with the discount rate not lower than 30 per cent.

The new pricing policy will be adopted as from the 2018 GSH sale exercise. The Government will invite the HA to consider whether it will implement the new pricing policy for the sale of the 2018 HOS.

Inviting the Urban Renewal Authority (URA) to assign its non-joint venture project at Ma Tau Wai Road as a Starter Homes (SH) pilot project

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"SH aims to help the higher-income families who are not eligible for the HOS and yet cannot afford private housing to meet their home ownership aspirations in the face of rising property prices. I announced in my Policy Address last year that the Government would use a residential site at Anderson Road on the Government's 2018-19 Land Sale Programme to provide about 1 000 SH units. However, since it would take several years before SH units at the Anderson Road site can be put up for pre-sale, we are now testing out the SH concept earlier by inviting the URA to assign its non-joint venture redevelopment project at Ma Tau Wai Road as an SH pilot project," Mrs Lam said.

The Ma Tau Wai Road project can provide 450 SH units. The project is expected to be issued with an Occupation Permit in the second quarter of 2019. Taking into account the time required for relevant preparatory work, it is estimated that the pre-sale exercise can be launched in December 2018 at the soonest.

Mrs Lam also introduced the major eligibility criteria for applying for SH units. Among other criteria, eligible applicants have to be Hong Kong residents who have lived in Hong Kong for seven years or more, who have never owned any residential property in Hong Kong, whose income falls between the prevailing income limits for WF applicants for the HOS and about 30 per cent higher than such limits, and whose assets should not exceed the limit of 30 per cent above the prevailing HOS asset limits for WF applicants.

The discount for SH units should be 10 per cent to 20 per cent less than that decided for the preceding HOS sale exercise, in order to maintain relativity among different rungs along the housing ladder.

The Hong Kong Mortgage Corporation Limited will provide mortgage insurance cover for 30 per cent to 40 per cent of the property value such that SH buyers can obtain mortgages of up to a 90 per cent loan-to-value ratio from banks. As the target buyers of SH are those with higher income, more stringent alienation restrictions than those for HOS and GSH will be imposed. SH owners cannot sell or let their units in the first five years after purchase. After the first five years, SH owners can sell or let their units in the open market after payment of premium to the URA.

"The Government will make reference to the experience from the SH pilot project at Ma Tau Wai Road in taking forward the SH project at Anderson Road," Mrs Lam added.

#### Reallocating private housing sites for public housing

Mrs Lam said that the Government has been working hard to allocate sites for public housing, including some sites that were originally intended for private housing.

"To better meet the need for more affordable housing, the Government

will further reallocate a total of nine private housing sites in Kai Tak and Anderson Road Quarry, capable of providing about 10 600 flats, for public housing. The Government will further consider if the developments should be arranged for sale or rental."

Setting up a task force to assist the community to take forward transitional housing projects

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The 2017 Policy Address noted the Government's effort to facilitate the implementation of various short-term community initiatives to increase the supply of transitional housing, with a view to alleviating the hardship faced by families on the public rental housing waiting list and the inadequately housed. To that end a task force will be set up under the Transport and Housing Bureau to provide one-stop, co-ordinated support to assist and enable more non-government institutions in pursuing transitional housing.

Introducing Special Rates on vacant first-hand private residential units

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The Government is concerned about the increasing number of unsold first-hand private residential units in completed projects in recent years, from around 4 000 units at the end of March 2013 to 9 000 units at the end of March 2018. This trend is undesirable in the face of a severe housing shortage. There is a need to introduce more effective measures to spur developers to expedite the supply of first-hand private flats.

The Government proposes to introduce Special Rates on vacant first-hand private residential units by amending the Rating Ordinance (Cap. 116). Owners (mainly developers) of first-hand private residential units with the Occupation Permit issued for 12 months or more will be required to furnish annual returns to the Government on the occupancy status of the units. Units that have not been occupied or rented out for more than six months during the past 12 months will be considered as vacant and subject to Special Rates.

Special Rates will be collected by the Rating and Valuation Department annually at two times (i.e. 200 per cent) the rateable value of the units concerned, which is roughly equal to 5 per cent of the property value based on the average rental yield of 2.5 per cent for residential property in March 2018.

The Government plans to introduce an Amendment Bill into the Legislative Council (LegCo) during the 2018-19 legislative year to amend the Rating Ordinance. The Special Rates will take effect after gazettal of the Amendment Ordinance following passage of the Amendment Bill in LegCo.

Amending the Lands Department (LandsD) Consent Scheme to improve sales practices

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To improve market transparency and enhance consumer protection, Mrs Lam

announced that the Government will amend the Consent Scheme to improve sales practices by requiring developers to offer for sale no less than 20 per cent of the total number of residential units subject to the relevant pre-sale consent at each turn of sale, regardless of the sales method (including tender and auction). If the remaining unsold residential units are less than 20 per cent, the developer has to offer for sale all remaining units in one go. This 20 per cent requirement will take immediate effect upon announcement, and applies to new pre-sale consent applications and applications currently being processed by LandsD under the Consent Scheme.

Mrs Lam said that the six initiatives show the Government's commitment to tackling the housing problem. She also invited the community to take part in the public engagement exercise of the Task Force on Land Supply to contribute to the formulation of land supply strategy for Hong Kong. The Government will continue to work towards increasing adequate and affordable housing for the community.

