

# LCQ11: Issues relating to relaunching Tenants Purchase Scheme

Following is a question by Hon Wilson Or and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (February 26):

Question:

The Hong Kong Housing Authority (HA) implemented since 1998 the Tenants Purchase Scheme (TPS) for tenants of 39 selected public rental housing (PRH) estates to buy the flats in which they lived at discounted prices. Although TPS was terminated in August 2005, existing and new tenants of TPS estates may still buy the flats in which they live. According to the results of a questionnaire survey targeted at PRH tenants conducted by the Democratic Alliance for the Betterment and Progress of Hong Kong in July last year, 87 per cent of the respondents supported the relaunch of TPS. Among them, 76 per cent even indicated that they would buy the flats in which they lived should TPS be relaunched. On the other hand, the Chief Executive indicated in last year's Policy Address that the Government would propose that the HA make active preparations to accelerate the sale of about 42 000 flats that remain unsold in the 39 TPS estates, and would invite the HA to seriously look into the relaunch of TPS when there was more certainty on the overall public housing supply. In this connection, will the Government inform this Council:â€‹

(1) given that the list prices for TPS flats are set by reference to the adjusted replacement costs, of the details of the relevant calculation methods (including the various considerations and their relevant benchmarks);

(2) given that the existing unsold TPS flats are currently on average priced at about 20 per cent of their assessed market values, whether the HA, in relaunching TPS, will (i) draw reference from such list price (if so, of the criteria adopted and the justifications for that), and (ii) maintain the current arrangement of offering a special credit, i.e. existing tenants who purchase their flats within the first two years of launch of the TPS estates, or new tenants who purchase their flats within two years from commencement of their tenancies, may enjoy a full credit for the first year and a halved credit during the second year respectively; if so, of the details; if not, the reasons for that;

(3) of the following details of the studies on TPS which had been conducted by the Government when it announced the nine measures concerning housing polices (including the termination of TPS) in November 2002:

- (i) considerations for selecting estates for inclusion in TPS;
- (ii) the progress (including the anticipated completion date(s)) and results of the studies;
- (iii) whether the inclusion of the 30 estates listed in the table below in

TPS falls within the scope of the studies; if so, of the progress (including the anticipated completion date(s)) and results of the studies; and

| District     | Name of estate           | Year of intake | Progress and results of the studies |
|--------------|--------------------------|----------------|-------------------------------------|
| Eastern      | Siu Sai Wan Estate       | 1990           |                                     |
|              | Yiu Tung Estate          | 1994           |                                     |
|              | Hing Tung Estate         | 1996           |                                     |
| Southern     | Ma Hang Estate           | 1993           |                                     |
| Wong Tai Sin | Tsz Man Estate           | 1994           |                                     |
|              | Choi Fai Estate          | 1995           |                                     |
| Kwun Tong    | Lok Wah (North) Estate   | 1985           |                                     |
|              | Tsui Ping (South) Estate | 1989           |                                     |
|              | Kwong Tin Estate         | 1992           |                                     |
|              | Ko Yee Estate            | 1994           |                                     |
| Sham Shui Po | Lai On Estate            | 1993           |                                     |
| Shatin       | Lee On Estate            | 1993           |                                     |
|              | Chung On Estate          | 1996           |                                     |
| Sai Kung     | Hau Tak Estate           | 1993           |                                     |
|              | Ming Tak Estate          | 1996           |                                     |
| North        | Wah Sum Estate           | 1995           |                                     |
|              | Ka Fuk Estate            | 1995           |                                     |
| Yuen Long    | Tin Yiu (I) Estate       | 1992           |                                     |
|              | Tin Yiu (II) Estate      | 1993           |                                     |
|              | Tin Shui (I) Estate      | 1993           |                                     |
|              | Tin Shui (II) Estate     | 1993           |                                     |

|            |                          |      |  |
|------------|--------------------------|------|--|
| Kwai Tsing | Shek Lei (I) Estate      | 1985 |  |
|            | Kwai Fong Estate         | 1987 |  |
|            | Kwai Shing (East) Estate | 1989 |  |
|            | Cheung Hang Estate       | 1990 |  |
|            | Shek Lei (II) Estate     | 1994 |  |
|            | On Yam Estate            | 1994 |  |
|            | Shek Yam (East) Estate   | 1996 |  |
| Islands    | Ngan Wan Estate          | 1988 |  |
|            | Kam Peng Estate          | 1996 |  |

(iv) of the estates, other than the aforesaid estates, which fall within the scope of the studies;

(4) as the Chief Executive and the Secretary for Transport and Housing have respectively pointed out that consideration would be given to relaunching TPS when there is "more certainty" on the overall public housing supply and such supply "can largely meet the public's demand", whether the Government has set specific and quantifiable indicators in this regard; if so, of the details; if not, how it determines whether the overall public housing supply meets the aforesaid requirements; and

(5) as the results of a study conducted by a think tank have indicated that the relaunch of TPS will bring substantial benefits to society (e.g. encouraging employment and stabilizing family relationships, reducing the disadvantage of household splitting by PRH tenants arising from Well-off Tenants Policies which in turn leads to an additional demand for housing, and enabling existing PRH units to accommodate an additional population of 140 000), whether the Government has conducted studies on the benefits that the relaunch of TPS may bring to society; if so, of the results; if not, whether it will conduct such a study?

Reply:

President,

Our reply to Hon Wilson OR 's question is as follows:

(1) The Hong Kong Housing Authority (HA) launched the last phase of Tenants Purchase Scheme (TPS) estates in August 2005. Currently, tenants living in the 39 TPS estates may still opt for purchasing the rental flats in which they reside. Using the Adjusted Replacement Cost (ARC) approach, TPS flats are priced based on the current replacement cost, including building costs, project management cost, funding cost, and the land cost payment to the Government, with adjustment for age and location. At present, if sitting

tenants of TPS estates choose to purchase the flats in which they reside, the average list prices under the ARC approach range from around \$11,000 per square metre to \$22,000 per square metre, representing average discounts of around 82 per cent to 86 per cent of assessed market value.

(2), (4) and (5) The Chief Executive's 2019 Policy Address proposed that the HA make active preparations with a view to accelerating the sale of the around 42 000 unsold flats in the 39 TPS estates, so as to further address the home ownership aspirations of public rental housing (PRH) tenants. In this regard, we will soon consult the Subsidised Housing Committee of the HA to consider endorsing the freezing of recovered rental flats from TPS estates, with a view to putting up these flats for sale. We will also consider the sales arrangements of recovered flats, including buyers' eligibility criteria, pricing, and alienation restrictions, etc. In the long run, aside from putting up recovered TPS flats for sale, we also need to draw up other proposed measures to expedite the sale of the remaining TPS flats, including the rental flats the sitting tenants of which are unwilling to purchase.

As for re-launching TPS (i.e. to extend TPS estates beyond the existing 39 estates), as pointed out in the Chief Executive's 2019 Policy Address, re-launching TPS will reduce the number of PRH units available for allocation in the short term, which will inevitably lengthen the waiting time for PRH applicant families. Given the current acute PRH supply shortage, from the perspective of effective use of housing resources, it is difficult to re-launch TPS at the moment. Although we have not set any concrete indicators, when the overall public housing supply can largely meet the public's demand and after consulting the relevant stakeholders, we will explore the feasibility of re-launching TPS and the relevant arrangements, including the relevant pricing mechanism, where applicable, in due course. The Government will continue to work closely with stakeholders, striving to increase land supply and achieve the housing supply targets set in accordance with the Long Term Housing Strategy, and expediting the construction of public housing, so as to effectively address the long-term housing needs of low-income tenants.

As for the impacts of re-launching TPS on the society, it depends on a multitude of factors, including the then social conditions (e.g. household size), economic environment, and the supply and demand factors of domestic property market etc., which would be difficult to assess at the moment. The question suggests that the Well-off Tenants Policies (WTP) induces household splitting, which in turns increases housing demand. According to the prevailing policy on PRH housing splitting, the HA would only consider household splitting applications by PRH tenants under circumstances when there are serious conflicts among family members or other reasonable compassionate grounds. Furthermore, for the tenant household which applies for household splitting, both the main and splinter households must satisfy the income and asset limits for PRH application and must not possess any domestic property ownership in Hong Kong. Therefore, if a PRH tenant household is required to pay extra rent or vacate its unit under WTP, its household splitting application would not be approved.

(3) Due to the changes in the macroeconomic environment, in accordance with the Government's repositioned housing policies in 2002, the HA decided in the same year that no more TPS flats would be rolled out after the launch of TPS Phase 6, which had already been announced at the time. Hence, after the launch of TPS Phase 6B in August 2005, the HA has not rolled out more TPS estates.

According to the criteria for selecting estates for sale under TPS back then, the HA would consider the age, geographical distribution, maintenance condition, and the financial capability of the tenants of the estates, so as to select suitable estates to be put up for sale for each phase of TPS among various PRH estates.