

LCQ22: Subsidised sale flats developed by Housing Authority and Housing Society

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (April 3):

Question :

Regarding the subsidised sale flats projects developed by the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS), will the Government inform this Council:

- (1) given that the total project costs of the Home Ownership Scheme (HOS) projects developed by the HA comprise development costs, land costs at 35 per cent of the development costs, administration overheads and other sales related expenditure, of the respective specific expenditure items included in the (i) development costs, (ii) land costs and (iii) administration overheads;
- (2) of the reasons for the Government to pitch the land costs of HOS projects at 35 per cent of their development costs;
- (3) of the (i) total project costs, (ii) total sales proceeds, (iii) operating surplus, and (iv) land costs in respect of each HOS sale exercise conducted in the past five years;
- (4) whether it will standardise the calculation of the land costs payable to the Government by the HA and the HKHS for the subsidised sale flats they develop; if not, of the reasons for that;
- (5) of the respective numbers of sale exercises for subsidised sale flats projects to be conducted and the respective total numbers of flats involved, as projected by the HA and the HKHS for the current as well as each of the coming four financial years; and
- (6) given that the number of White Form (WF) applicants far exceeded that of Green Form (GF) applicants in each HOS sale exercise conducted in recent years, whether the HA will change the ratio of the quota between GF and WF applicants from the current 50:50 to 40:60; if not, of the reasons for that; if so, the details?

Reply:

President,

My consolidated response to the question raised by the Hon Chan Hak-kan is as follows:

The development cost of the Home Ownership Scheme (HOS) of the Hong Kong Housing Authority (HA) includes construction cost and overhead cost. According to the prevailing arrangement, the Government provides land to the HA for the development of subsidised sale flats (SSFs) (including HOS flats) at a nominal premium of \$1,000. The HA would pay the Government a land cost at 35 per cent of the development cost as contribution to site formation and supporting infrastructure. Administration overheads and other sales-related expenditure include expenses for printing, advertisements, publicity, consultancy, pre-flat intake management, etc. Financial information of HOS flats put up for sale by the HA from 2014 to 2018 is set out in Annex.

The Hong Kong Housing Society (HKHS) is an important partner of the Government's housing policy and plays an active role in providing low to middle-income families with rental units and SSFs. The HKHS has been developing subsidised housing projects on a self-financing basis on sites granted to the HKHS by the Government at concessionary land premium.

Under the new HOS pricing mechanism announced on June 29, 2018, the HKHS may need to offer a correspondingly higher discount rate for its SSFs, which may lower the HKHS's income and affect its financial sustainability. Having reviewed the land premium arrangements for the HKHS's subsidised housing projects, the Government revised the arrangements in January 2019 as follows: from one-third of the full market value (FMV) to a nominal premium at \$1,000 for the HKHS's rental estates; and from one-half of FMV to one-third of FMV for domestic portion of SSF projects, while maintaining existing arrangement of charging FMV for non-domestic portion of SSF projects.

The Government believes that the revised land premium arrangements would help mitigate the financial impact of the new HOS pricing mechanism on HKHS, and strengthen HKHS's long-term financial sustainability. This will enable the HKHS to continue to provide rental units and SSFs at affordable rentals and prices to address housing needs of the public.

The HA and the HKHS are assuming different and complimentary roles in providing public housing: the HA is the major organisation responsible for developing public rental and HOS units, whereas the HKHS plays the role of "housing laboratory" apart from providing rental units and SSFs. The two organisations also differ in structure and mode of operation. The Government does not consider it necessary to adopt the same land premium arrangement for SSF projects of the two organisations.

According to the latest projections in the Long Term Housing Strategy Annual Progress Report 2018 published in December 2018, the total housing supply target for the ten-year period from 2019-20 to 2028-29 is 450 000 units, comprising the public housing supply target of 315 000 units and the private housing supply target of 135 000 units. According to the forecast as at December 2018, the estimated total public housing production of the HA and the HKHS in the five-year period from 2018-19 to 2022-23 is about 100 400

units. As for private housing, based on the Government's preliminary assessment as at end-2018 of private residential developments on known disposed sites, the private sector will, on average, complete about 18 800 private residential units annually in 2019 to 2023.

When considering the HOS developments to be launched in each year, the HA would review the progress of the preparation work for each pre-sale project (i.e. preparation of the land lease and the Deed of Mutual Covenant, etc.) and the suitable pre-sale date. The selling prices and sales arrangements of each HOS sale exercise will be reviewed and endorsed by the Subsidised Housing Committee of the HA. In 2019, the HA will offer for sale 4 871 HOS flats in six developments at Homantin, Cheung Sha Wan, Kwai Chung, Tseung Kwan O, Ma On Shan and Sha Tin.

As regards the Green Form Subsidised Home Ownership Scheme (GSH), the HA decided in March 2019 to convert two public rental housing (PRH) projects on Chai Wan Road in Chai Wan and Tsing Hung Road in Tsing Yi into GSH. These projects will provide about 3 700 flats, and are planned for pre-sale in late 2019. In future, the HA will roll out GSH projects in accordance with the decision made when regularising GSH, i.e. to implement GSH at a more modest pace to gather experience, reduce the risk of unsold flats and minimise impact on the waiting time for PRH applicants. The HA will continue with this incremental approach and take account of operational experience and sales response in considering suitable PRH projects for conversion to GSH each year.

The HKHS launched the pre-sale exercise of 620 SSFs in Tuen Mun and Tseung Kwan O respectively in November 2017, all of which were sold in June 2018.

On the other hand, the Government announced on June 29, 2018 the re-allocation of nine sites at Kai Tak and Anderson Road Quarry, originally intended for sale in the coming few years, for the use of public housing. These sites are expected to provide 11 000 public housing units. This will help narrow the public housing shortage in later years. One of the sites in Kai Tak will be allocated to the HKHS for the redevelopment of Chun Seen Mei Chuen. The HKHS can then make use of the original site of Chun Seen Mei Chuen to redevelop Lok Man Sun Chuen by phases. The remaining new units on this Kai Tak site can also be used to rehouse other eligible households affected by Government development and projects by the Urban Renewal Authority. As for the remaining eight sites, the HA and the HKHS will each take up one site in Kai Tak and three sites in Anderson Road Quarry for SSF development, having regard to the original planning intentions for these sites and other developments in the vicinity.

In line with established practice, prior to the launching of new HOS sale exercise, the HA will, having regard to prevailing circumstances, draw up the sales arrangements, including the ratio between Green Form (GF) and White Form (WF) applicants. For Sale of HOS Flats 2019, the HA has maintained the ratio between GF and WF applicants at 50:50. The HA has taken into account that the selling of HOS to GF applicants (mainly PRH tenants)

would speed up the turnover of PRH units. Moreover, any remaining quota from the GF queue would be re-allocated to the WF queue. For example, despite the 50:50 ratio between GF and WF applicants adopted in HOS 2016 and HOS 2017 sale exercises, WF buyers actually took up around 70 per cent and 60 per cent respectively of the flats. On the other hand, the White Form Secondary Market Scheme (WSM) provides WF buyers with an additional avenue for home ownership, and the annual quota for WSM 2019 has also been increased to 3 000. Therefore, for Sale of HOS Flats 2019, the HA has maintained the ratio between GF and WF applicants at 50:50.

The HA will, in line with established practice, continue to consider all relevant factors when determining the ratio between GF and WF applicants in future.