

# LCQ7: Land costs for subsidised sale flat projects

Following is a question by the Hon Andrew Wan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (May 20):

Question :

At present, the Hong Kong Housing Authority (HA) has to pay the Government, for each subsidised sale flat (SSF) project, 35 per cent of the development cost of the flats sold as the land cost for the Government's provision of site formation and supporting infrastructure, with the development cost being the aggregate of the construction cost and overhead cost. Regarding the land costs for SSF projects, will the Government inform this Council:

(1) since when the Government has charged HA land costs for SSF projects, and of the justifications for setting the land cost at the level of 35 per cent of the development cost;

(2) of the following details of each of the Home Ownership Scheme (HOS) housing courts sold under each sale exercise since the resumption of the sale of HOS flats in 2014 (set out in Table 1):

- (i) sale exercise,
- (ii) district in which the housing court is located,
- (iii) name of the housing court,
- (iv) total number of flats in the housing court,
- (v) average per-square-foot price of the flats (in saleable floor area),
- (vi) (a) total amount and (b) average amount per flat, of the land cost,
- (vii) (a) total amount and (b) average amount per square foot of saleable floor area, of the expenditure incurred by the Government on site formation and supporting infrastructure for the domestic element of the housing court, and
- (viii) (a) total amount and (b) average amount per square foot of saleable floor area, of the land value at full market value for the domestic element of the housing court;

Table 1

(i)	(ii)	(iii)	(iv)	(v)	(vi)		(vii)		(viii)	
					(a)	(b)	(a)	(b)	(a)	(b)

(3) of the following details of each of the Green Form Subsidized Home Ownership Scheme (GSH) housing courts since the sale of GSH flats in 2016 (set out in Table 2):

- (i) district in which the housing court is located,
- (ii) name of the housing court,
- (iii) total number of flats in the housing court,
- (iv) average per-square-foot price of the flats,
- (v) (a) total amount and (b) average amount per flat, of the land cost,
- (vi) (a) total amount and (b) average amount per square foot of saleable floor area, of the expenditure incurred by the Government on site formation and supporting infrastructure for the domestic element of the housing court, and
- (vii) (a) total amount and (b) average amount per square foot of saleable floor area, of the land value at full market value for the domestic element of the housing court; and

Table 2

(i)	(ii)	(iii)	(iv)	(v)		(vi)		(vii)	
				(a)	(b)	(a)	(b)	(a)	(b)

(4) whether it reviewed, in the past three years, the approach for setting the land cost; if so, of the details (including the date and outcome of the review, and whether a report was published); if not, the reasons for that; whether it has plans in the coming three years to adjust downward the level of the land cost (e.g. setting it at 25 per cent of the development cost) so as to lower the prices of HOS and GSH flats?

Reply:

The President,

My reply to the question raised by the Hon Andrew Wan is as follows:

(1) and (4) According to the record of the Hong Kong Housing Authority (HA), HA has, since 1980s, been paying the Government a project development cost of 35 per cent for subsidised sale flats (SSFs) (including Home Ownership Scheme (HOS)) as contribution for the Government's provision of site formation and infrastructure. In addition, the Government provides land to HA for the development of SSFs at a nominal premium of \$1,000. In the past three years, the Government and HA have not conducted review on the determination arrangement of the land development cost for SSFs. The Government has already contributed substantial subsidy to the land development of SSFs, and has no plan to initiate a review.

Pricing of SSFs is determined based on the affordability of the applicants, and is not linked to the land development cost. According to the prevailing pricing mechanism for SSFs, the price of the flats for sale is determined based on the affordability test which uses the median monthly household income of non-owner occupier households as benchmark, and the number of affordable flats is at least 75 per cent.

(2) and (3) Information of housing courts sold under each sale exercise of HOS since 2014 and information of housing courts sold under the Green Form Subsidised Home Ownership Scheme (GSH) since 2016 is set out in Annex 1 and Annex 2 respectively.

We are not able to provide the Government's expenditure on land development for the above projects since the boundaries of the government site formation works are usually not confined to the public housing sites alone. Expenditure of government site formation works is also affected by various factors, including site location, site condition, geology and proposed site formation levels, etc. In fact, consideration would also be given for the concerned works to provide public roads in the vicinity and supporting facilities on a district basis. The Government's infrastructure provisions might also be upgraded when appropriate to meet the overall expected development of the districts, the projected planning parameters, the estimated population and traffic growth in the district, etc.