

Chapter 11

Housing

Following a comprehensive review and extensive public consultation, the Hong Kong Housing Authority endorsed in November 2006 a new mechanism for determining how the rents of public rental housing are to be adjusted. The mechanism is income-based and provides for upward and downward adjustments in domestic rents according to changes in tenants' household income. Suitable amendments to the Housing Ordinance will be introduced to effect the new mechanism.

In December 2006, the total housing stock in Hong Kong amounted to 2 473 900 flats, comprising 715 700 public rental housing flats¹, 397 800 subsidised home ownership flats and 1 360 300 flats in the private sector. About 30 per cent of Hong Kong's population live in public rental housing flats with another 18 per cent in subsidised home ownership flats.

Housing Policy

The Statement on Housing Policy announced by the Secretary for Housing, Planning and Lands in 2002 sets out the following three major guiding principles of the Government's housing policy:

- The focus of the Government's subsidised housing policy should be on the provision of assistance to low-income families which cannot afford private rental accommodation;
- The Government should minimise its intervention in the private property market; and
- The Government should maintain a fair and stable operating environment for the private property market by ensuring adequate land supply and the provision of an efficient supporting infrastructure.

¹ Including public rental housing and interim housing flats operated by the Hong Kong Housing Authority and rental flats operated by the Hong Kong Housing Society.

Pursuant to the Government's policy, the principal mission of the Hong Kong Housing Authority (HKHA)² is to provide subsidised public rental housing to those who cannot afford rented accommodation in the private market. It has ceased the provision of home ownership assistance schemes and divested itself of its 180 retail and car parking facilities through the listing of The Link Real Estate Investment Trust in November 2005.

Institutional Framework

The Secretary for Housing, Planning and Lands is the Principal Official responsible for overall housing matters. He has also been appointed Chairman of the HKHA to help forge closer cooperation between the HKHA and the Government in the provision of public housing services. He is supported by the Permanent Secretary for Housing, Planning and Lands (Housing), who also assumes the office of the Director of Housing and heads the Housing Department.

The Housing Department integrates the policy and operational responsibilities of providing public rental housing and assessing eligibility for public housing assistance. It continues to provide secretariat and executive support to the HKHA and its committees. The department also monitors developments in the private housing market and oversees policy matters relating to the regulation of estate agents.

Public Rental Housing

The Government ensures that all those who cannot afford adequate accommodation in the private market have access to subsidised public rental housing. It is committed to maintaining an average waiting time for public rental housing at around three years and ensuring that there is adequate supply through a rolling construction programme run by the HKHA. The actual number of units to be built is adjusted regularly to take into account factors including the housing demand of low-income families and the turnover in tenancies.

At present, about 2 097 800 people, or 30 per cent of Hong Kong's population, live in public rental housing estates of the HKHA and the Hong Kong Housing Society (HKHS)³. The revised estimate of the HKHA's expenditure on housing in 2006-07 was 14.5 billion, accounting for approximately 5.9 per cent of public expenditure. At year-end, there were 106 600 households on the waiting list for the HKHA's public rental housing and the average waiting time was about 1.9 years.

² The HKHA, established in 1973, is a statutory body responsible for implementing the majority of Hong Kong's public housing programmes. The HKHA provides public rental housing to low-income families which cannot afford private rental accommodation. It also runs interim housing and transit centres to provide temporary accommodation to families facing short-term problems in finding suitable accommodation.

³ The HKHS is an independent, not-for-profit organisation established in 1948. It provides subsidised housing to specific target groups at affordable rents.

Rent Policy

It is the long-established policy of the HKHA to set public rental housing rents at affordable levels. At present, rents are inclusive of rates, management and maintenance costs, and range between \$250 and \$3 810 per month.

Following a comprehensive review and extensive public consultation, the HKHA endorsed in November 2006 a new mechanism for determining how the rents of public rental housing are to be adjusted. In essence, an income-based rent adjustment mechanism which provides for both upward and downward adjustments in domestic rents according to changes in tenants' household income will be adopted. Suitable amendments to the Housing Ordinance will be introduced into the Legislative Council to effect the new mechanism.

Rent Assistance

The Rent Assistance Scheme was introduced by the HKHA in 1992 to provide assistance to its public housing tenants facing temporary financial hardship. Eligible tenants are offered a 50 per cent rent cut. To assist more needy families, the HKHA revised the scheme in October 2002 and the eligibility criteria for elderly tenants were relaxed. Tenants affected by redevelopment are also eligible for rent assistance immediately upon being rehoused.

In March 2006, the HKHA further relaxed the eligibility criteria for non-elderly public housing tenants so that they may have benefits similar to those enjoyed by their elderly counterparts. These eligible households are entitled to 25 per cent rent reduction. At the same time, the rent-to-income ratio threshold was lowered and the three-year residence criterion for households in older blocks was also lifted. As at the end of 2006, some 38 000 households had benefited from the scheme.

Better-off Tenants

Better-off tenants are required to pay higher rents. At the end of December 2006, there were 20 100 households paying higher rents. The subsidy saved under this scheme amounted to about \$200 million in 2006. In addition, tenants who have lived in estates for more than 10 years and whose household income and assets exceed the prescribed limits, or those who choose not to declare their household assets, are required to move out. In 2006, 525 better-off tenants, including 225 families who acquired their own flats under the various subsidised home ownership assistance schemes, returned their public rental housing flats to the HKHA.

Redevelopment

In 2006, some 4 800 families living in housing blocks due for redevelopment at Wong Chuk Hang, Shek Kip Mei and Lower Ngau Tau Kok (II) estates were rehoused. Since the launching of the HKHA's Comprehensive Redevelopment Programme in 1988, 550 housing blocks have been redeveloped and the living conditions of some 183 730 households have been improved.

Estate Clearance

In March 2006, the HKHA announced the clearance of So Uk Estate in two phases. The rehousing of Phase 1 tenants will be completed in November 2008 and

Phase 2 tenants in August 2011. A total of 13 400 people from 5 000 families will be affected.

Sustainable Public Housing Stock

To ensure the sustainable development of public housing resources, the HKHA introduced a Total Maintenance Scheme in 2006, an innovative and proactive approach to maintaining its public rental housing estates in good order. In-flat Inspection Ambassadors are employed to carry out in-flat inspections and to arrange minor touch-up works on the spot. Works orders for major repairs will be placed immediately to ensure the defects are corrected as soon as possible. The scheme also introduces new initiatives which include the setting up of a flat-to-flat maintenance database, strengthening of research and development in building diagnostic methodology and maintenance technology, setting up a maintenance hotline and mapping out a promotional and educational plan. The scheme targets 30 estates each year.

Another initiative to sustain the existing public rental housing estates is the implementation of a Comprehensive Structural Investigation Programme. Checks are carried out on housing blocks in public housing estates which are about 40 years old or above to see if they are structurally sound and economically sustainable. For housing blocks which are structurally safe but which require improvements, appropriate works including structural strengthening, recasting or normal concrete repair will be arranged. Otherwise, demolition of the blocks will be considered. Steps will also be taken to improve the overall environment of these estates to ensure they can last for at least another 15 years.

The HKHA also undertook a series of Estate Improvement Programmes to deliver quality service and enhance the living environment of selected public housing estates. The initiatives included improvement works to meet the needs of people with impaired eyesight, installation of additional lifts, lift modernisation, lighting improvement, and provision of leisure and landscape facilities.

Allocation

In 2006, 29 574 rental flats were allocated by the HKHA and the HKHS to various categories of applicants. Of these, 11 204 were new flats and 18 370 were refurbished ones: 61.94 per cent were allocated to waiting list applicants, 5.24 per cent to tenants affected by the HKHA's Comprehensive Redevelopment Programme, 0.81 per cent to families affected by clearances, 1.91 per cent to junior civil servants, 24.54 per cent to sitting tenants for transfers (including overcrowding relief), and the remainder to victims of fire and natural disasters and compassionate cases recommended by the Social Welfare Department.

Flats are allocated in accordance with the order of registration and applicants' choices of district. Applicants are required to satisfy comprehensive means tests (covering income and assets), domestic property tests and a residence rule before being admitted to public rental housing. To speed up the letting of some less popular flats, the HKHA launched the Express Flat Allocation Scheme and invited all eligible applicants on the waiting list to select a flat from among flats which have been lying

vacant for a prolonged period due to various reasons. During the year, 2 044 households were successfully rehoused under this scheme.

Home Ownership

Sale of Subsidised Flats

Since 1978, more than 443 800⁴ subsidised sale flats have been sold to households of eligible families/persons at discounted prices under the Government's various subsidised home ownership schemes. Among these were the Home Ownership Scheme (HOS)/the Private Sector Participation Scheme (PSPS) and the Tenants Purchase Scheme (TPS) under the HKHA. To support Government efforts to consolidate its housing policies and to minimise intervention in the property market, the HKHA halted the TPS following the sale of Phase 6, ceased the production and sale of HOS flats from 2003 onwards and terminated the PSPS. All unsold and returned HOS flats would not be sold as subsidised housing flats before the end of 2006. However, to address the situation of surplus HOS flats remaining in its possession, the decision was made in early 2006 to sell 16 600 surplus HOS flats in phases to eligible applicants. Two sale phases, comprising about 2 000 to 3 000 flats each, were earmarked for each of the three years from 2007 to 2009. This arrangement prevents the launching of a large number of flats in one batch and minimises any impact on the private residential market. The HKHA will continue to keep an eye on changes that might warrant adjustments to the announced sales programme.

Housing for Groups in Special Need

The Elderly

An elderly person who prefers to live alone can apply for a public rental flat under the Single Elderly Persons Priority Scheme. In 2006, the Government achieved its target of reducing the waiting time to two years or less for single elderly applicants. Two or more elderly persons who are willing to live together may apply under the Elderly Persons Priority Scheme. Applicants under the scheme who opt for flats in the New Territories will normally be allocated flats within two years.

There are two priority schemes for public rental housing which encourage families to live with and take care of their elderly relatives. Applicants with elderly parents or dependent relatives aged 60 or above will have their flat allocation advanced by up to three years under the Families with Elderly Persons Priority Scheme. Those who apply for two separate flats in the same estate in the new towns under the Special Scheme for Families with Elderly Persons will have their flat allocation advanced by up to two years.

Under a pilot scheme called the Senior Citizen Residences Scheme, the HKHS launched two projects in Tseung Kwan O and Jordan Valley in August 2003 and September 2004 respectively, providing purpose-built housing with integrated health

⁴ Including flats sold by the HKHS. Of the 443 800 flats sold since 1978, 57 300 flats can be traded in the open market as at end December 2006. These flats are not counted as subsidised sale flats under the current definition.

care facilities for senior citizens in the middle-income group. The units in these projects are leased to eligible senior citizens on a 'lease-for-life' basis in line with the concepts of 'healthy ageing' and 'ageing in place'.

Squatters

The number of squatters and squatter structures has been reduced in recent years through rehousing and clearance programmes. The criteria for rehousing squatters upon clearance have been relaxed. Since December 2002, families who have resided in registered squatter structures for two years and whose income and assets do not exceed the prescribed limits can be rehoused in public rental flats upon clearance. Squatters who wish to move out voluntarily can apply for public housing through the General Waiting List. For the remaining squatters, the Government provides and maintains basic facilities in the existing squatter area under the Squatter Area Improvement Programme to ensure that basic safety and hygiene standards are met.

Rooftop Structures

The Buildings Department drew up a seven-year clearance programme in April 2001 to clear 12 000 illegal rooftop structures in 4 500 single-staircase buildings. Rooftop dwellers are encouraged to apply for public rental housing. Those who are evicted under the law are rehoused in public rental housing or are given interim housing, depending on their eligibility criteria. In 2006, about 1 000 people affected by rooftop clearances were relocated.

Housing Supply

A total of 21 000 residential units, of which 16 600 were private sector homes (excluding village houses) and 4 400 public rental housing flats, were completed in 2006.

Supporting Infrastructure

The infrastructure for supporting housing developments has been provided in a programmed and structured manner. To avoid delays in housing developments caused by lack of infrastructural facilities, the Government has adopted fast-track measures to ensure timely completion of these facilities. At present, there are nine such projects in different stages of implementation. A combined estimated cost of about \$2.7 billion has been approved.

Private Sector Housing

Private Residential Property Market

The number of transactions that took place in the primary private residential property market in the first half of 2006 was comparatively small, but sales picked up in the second half of the year when more large-scale residential developments were put on sale. The volume of transactions in the secondary market remained stable in 2006. The total number of registered transactions in 2006 was 82 472. Compared to the year before, the overall residential price index at the end of 2006 rose

moderately by 4 per cent. The overall rental index at the end of 2006 increased by 6 per cent from the end of 2005.

Estate Agents

The Estate Agents Authority (EAA) is an independent statutory body responsible for licensing and regulating estate agents. Under the Estate Agents Ordinance and the Estate Agents (Licensing) Regulation, all estate agents are required to have a licence to practise.

Two other sets of regulations — the Estate Agents Practice (General Duties and Hong Kong Residential Properties) Regulation and the Estate Agents (Determination of Commission Disputes) Regulation — also govern the industry. The former relates to the conduct, duties and practice of licensed estate agents. The latter prescribes rules and procedures for the EAA to mediate in disputes between estate agents and their clients over commissions and fees. There is also the Estate Agents (Registration of Determination and Appeal) Regulation which prescribes the procedural rules for lodging appeals to the District Court against the EAA's determinations.

Sales of Uncompleted Residential Properties

Developers of private residential units may apply for consent from the Director of Lands to put up units for sale before completion. To ensure that accurate information is provided to prospective purchasers before they enter into any property transactions, the Real Estate Developers Association of Hong Kong (REDA) has established a self-regulatory regime asking its members to provide sufficient and accurate information in sales brochures in accordance with the REDA's guidelines. The REDA formed a Compliance Committee in 2006 to monitor the self-regulatory regime and handle complaints against its members. The REDA, Government, Consumer Council and the EAA work closely to keep the self-regulating regime working smoothly and to make improvements when needed.

Home Pages

Housing, Planning and Lands Bureau: www.hplb.gov.hk

Hong Kong Housing Authority/Housing Department:
www.housingauthority.gov.hk

Hong Kong Housing Society: www.hkhs.com