

Minutes of the Special Meeting of the HONG KONG HOUSING AUTHORITY held on Thursday, 25 April 1996

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Title	Minutes of the Special Meeting of the HONG KONG HOUSING AUTHORITY held on Thursday, 25 April 1996
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Mr LEUNG Chun-ying)
Mr CHAN Kam-man, JP)
Mr Eddy FONG Ching) (Out of Hong Kong)
Dr Joseph LIAN Yi-zheng)
Mr Peter WONG Hong-yuen, OBE, JP)

IN ATTENDANCE

Mrs Clarie LO (Deputy Director/Administration)(Secretary of the Authority)
Mr R A BATES, JP (Senior Assistant Director/Maintenance and Construction Services)
Mr Stephen S C POON, JP (Senior Assistant Director/New Development)
Mr Y L CHAN (Senior Assistant Director/Housing Administration)(Acting)
Mr J J NG (Senior Assistant Director/Estate Management)(Acting)
Mr Alan K K FUNG (Assistant Director/Special Duties)
Mr HO Wing-him (Assistant Director/Policy)
Mr R J AVON (Assistant Director/Finance)
Mr M L YUEN (Assistant Director/Housing Architect)
Mr R N CARPENTER (Assistant Director/Construction Services)
Mr T C YUEN (Assistant Director/Development)
Mr C C HUI (Assistant Director/Applications and Home Ownership)
Mr H T FUNG (Assistant Director/Regional Management (1))
Mr K H LAU (Assistant Director/Operations & Redevelopment)
Mr Simon P S LEE (Legal Adviser)
Mr K T POON (Assistant Director/Information and Community Relations)
Ms Mimi LEE (Senior Administrative Officer/Administration)
Mr Raphael LI (Chief Information Officer/News, Promotions and Marketing)
Mrs Katherine YAU (Chief Publicity Officer/Community Relations)
Mr Lawrence CHOW (Committees' Secretary)
Ms Chlorine WONG (Assistant Committees' Secretary/1)
Miss Sabrina LEE (Assistant Committees' Secretary/3)

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I N D E X P A R A G R A P H

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(Paper No. HA 30/96)

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WELCOME

The Chairman opened the meeting at 8:45 a.m. She asked Members to note the five petitions tabled, which were received before the meeting. She then welcomed the new Members who attended the meeting for the first time, including Ms SIU Yuen-sheung, Mr Walter CHAN, Dr Anthony CHEUNG, Messrs WAN Man-ye, CHAN Bing-woon, LAU Kwok-yu, CHENG Kai-nam, NG Leung-sing and NG Shui-lai. Apologies for absence were recorded from Messrs LEUNG Chun-ying, CHAN Kam-man, Eddy FONG, Dr Joseph LIAN and Mr Peter H Y WONG.

ITEMS FOR DISCUSSION

(AGENDA "Safeguarding Rational Allocation of Public Item 1) Housing Resources"
Report on Final Recommendations by the Ad Hoc Committee on Private Domestic
Property Ownership by Public Rental Housing Tenants
(Paper No. HA 30/96)

2. The following representations were tabled -

(a) Letter dated 25 April 1996 from the Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Residents and Shopowners Organisations (Annex A);

(b) Letter dated 25 April 1996 from the Hong Kong People's Council on Public Housing Policy (Annex B);

(c) Letter dated 20 April 1996 from a Madam CHAN Yun-chun (Annex C).

3. Prof YEUNG Yue-man, Chairman of the Ad Hoc Committee on Private Domestic Property Ownership by Public Rental Housing Tenants (the Ad Hoc Committee), presented the results of the public consultation and opinion surveys and the recommendations proposed by the Ad Hoc Committee. He recorded a vote of thanks to the efforts and contribution from the Members of the Ad Hoc Committee and departmental officers who participated in the study. He also thanked the Chairman for her continuous support for the Ad Hoc Committee. Mr HAU Shui-pui also expressed his appreciation for the hard work of the Ad Hoc Committee.

4. Mr FUNG Kin-kee tabled some amendments (Annex D) to the recommendations of the Report. Of the amendments raised, Mr Fung would like to discuss first the proposal to replace "household income and net asset value should be the two criteria used" in paragraph 7.1(1) of the Report by "net value of domestic properties should be the criterion used". If this was accepted by the Authority, he would propose further related amendments to the Ad Hoc Committee's other recommendations. He emphasized that his proposed amendments were interrelated and should be considered as a package. The proposed amendments were seconded by Ms LEUNG Wai-tung and Mr HAU Shui-pui. Ms Leung remarked that she seconded Mr Fung's proposed amendments because this would inspire discussion of more alternatives. As for Mr Hau, he considered that speculative investment in property could not contribute to the prosperity of Hong Kong and thus should be discouraged.

5. Mr FUNG Kin-kee elaborated that from the public opinions collected, he was of the view that "wealthy" tenants should not continue to live in public rental housing (PRH). If they were only required to pay market rent (MR) without compulsory termination of tenancies, PRH flats could not be recovered for re-allocation. He also considered that the new policy should focus on the allocation of housing resources, not wealth in general. Therefore, instead of requiring general asset declaration, which he considered to be imposing and intrusive, he proposed that the new policy should focus on domestic property ownership only, based on the notion that people would tend to buy domestic property when they became better-off. This was a more objective and less intrusive method since Housing Department (HD) could check property ownership and assess the values of domestic properties from public records directly without requiring tenants to declare them. He proposed that the value of property owned by PRH tenants should be set at the average market value of flats, aged less than ten years, and with an area of 1.5 times of the standard internal floor area allocated to households of different sizes on the General Waiting List. The 50% additional area was to allow for family growth. Using this method, the prescribed asset limit for a 4-person household would be about \$2.93 million.

6. Prof YEUNG Yue-man told the meeting that the Ad Hoc Committee had thoroughly considered Mr Fung's proposal. The proposal to focus the policy on domestic properties only was considered unfair and might cause criticism as many tenants might have considerable investment in other forms of assets instead of domestic properties. In fact, it was for this reason that the Ad Hoc Committee had expanded its ambit from private property ownership to other types of assets. Direct investigation by HD into tenants' assets rather than declaration was also considered unacceptable. As regards the proposal of compulsory termination of tenancies of tenants not eligible for housing subsidy, the Ad Hoc Committee considered this too radical a measure at the present stage. However, this could be reviewed after a period of implementation of the new policy.

7. Mr NG Shui-lai was of the view that it would not be meaningful if only domestic property ownership was used to assess whether a tenant should still be eligible for housing subsidy. Though he was in favour of compulsory termination of tenancies of "wealthy" tenants, he considered the Ad Hoc Committee's recommendations moderate, balanced and acceptable.

8. Being a PRH tenant herself, Ms HO On-nei appreciated the Authority's courage and commitment to tackle housing problems. Though she did not support Mr FUNG Kin-kee's proposed amendments, she agreed with his point that well-off tenants should be subject to compulsory termination of tenancies.

9. Mr C N BROOKE said that as assets took many forms, it would not be fair to single out domestic property as the sole criterion for assessment. Ms SIU Yuen-sheung, Ms HO On-nei and Mr LAU Kwok-yu held the same view. On the Ad Hoc Committee's proposal as a whole, Mr Brooke said that the Authority should establish the direction of its policies that PRH was only a step towards the ultimate goal of home ownership and that tenants who had accumulated enough wealth should purchase their own homes.

10. Mr Joseph CHOW was in support of the recommendations proposed by the Ad Hoc Committee. He disagreed with Mr FUNG Kin-kee's proposed amendments because using domestic properties, which did not necessarily generate income, as the sole assessment criterion was not comprehensive. He remarked that PRH tenants who had stayed in the Authority's subsidized accommodation and had become better-off should make room for others who were less well-off to attain the rational allocation of housing resources.

11. Mr Victor SO was in support of all the Ad Hoc Committee's recommendations. He said that it was fair to require tenants to declare their assets. Reference could be made to the Sandwich Class Housing Scheme administered by the Hong Kong Housing Society which did not only require applicants to declare all their assets but also take oath on their declarations. He said that subsidized housing was not a perpetual privilege. An honour system for declaration should be applied to all who received housing subsidy, including Waiting List applicants.

12. Mr Raymond CHOW supported the recommendations of the Ad Hoc Committee. He opined that though its effect on recovery of PRH flats might not be apparent at the beginning, the new policy would help establish a concept that PRH was provided for the needy and those tenants who could take care of their own housing needs should surrender their flats for the others in need. He did not agree with the argument that income/asset declaration was an intrusion to privacy because it was a reasonable measure to assess whether a tenant was still in need of housing subsidy. Tenants' possible attempts to evade declaration should not be a reason for not implementing the policy.

13. Mr Walter CHAN clarified that the aim of the new policy was not to generate more revenue for the Authority. Double rent (DR) or MR paying tenants were accorded second priority in Home Ownership Scheme (HOS) flat purchase and they should be able to afford 3-bedroom HOS flats in the urban area. The priority in HOS purchase would motivate tenants to buy their own homes and it was optimistic that more PRH flats could be released through this means. The new policy would also facilitate tenants' understanding that PRH was public resources, thus enabling them to plan forward during their initial ten years enjoying housing subsidy.

14. Mr Anthony WONG was in support of all the recommendations of the Ad Hoc Committee. He however commented that private car was not an income generating asset but rather a common means of transport, particularly for those tenants living in remote areas. Prof YEUNG Yue-man responded that according to an earlier survey, about 7% of tenants owned expensive European private cars. As private car was an indicator of tenants' financial condition, it had to be declared. Mr Anthony WONG further suggested that specific examples which warranted compassionate consideration as proposed in paragraph 7.1(18) of the Report should be provided to facilitate tenants' understanding. His suggestion had the support of Ms HO On-nei and Mr LAU Kwok-yu. Ms Ho asked the Department to carefully examine the background of each application for compassionate consideration from families who had family or personal difficulties in paying MR.

15. Ms SIU Yuen-sheung considered the recommendations mild and acceptable. Like all public policies, housing policy should change as the society progressed. Otherwise, it would not be fair if only the existing tenants could go on to enjoy housing subsidy while other low-income families on the Waiting List in private tenements of poor living environment could not. She agreed that tenants who could afford their own housing expenditure should be encouraged to move out of PRH. The higher rental received from better-off tenants should be used to improve overall PRH supply.

16. Mr Daniel LAM commented that if well-off tenants did not mind showing off their wealth, they should not mind declaring it to the Authority either. Those who were no longer in need of subsidized housing should make available their PRH flats for other people with a greater need.

17. Mr CHENG Kai-nam was of the view that since existing tenants had not expected that they would be subject to asset declaration and MR when they moved into PRH, many of them had no planning on or enough savings for alternative accommodation. He suggested that the new policy should only apply to new tenancies to avoid affecting social stability. Ms HO On-nei and Mr HAU Shui-pui shared his view. The Acting Director of Housing responded that the new policy had to strike a balance between historical practice and administrative effectiveness. As pointed out by Mr Cheng, since tenants had not prepared for the new policy, radical measures such as compulsory termination of tenancies were not desirable. However, if the new policy was only applicable to new tenancies, it would be too complicated to administer and would dilute its effectiveness.

18. Mr LEE Wing-tat objected to the Ad Hoc Committee's proposal. He said that the proposed measures could not solve the problem completely and expected that the same issue would need to be brought up again in a few years' time. He said that charging well-off tenants MR would only increase the Authority's revenue but hardly help relieve Waiting List applicants' housing need. Judging from HOS over-subscription rate among Green Form applicants, it was obvious that better-off tenants would automatically opt for home ownership. Therefore, the Authority should focus on promoting home ownership through the HOS or even the Sale of Flats to Sitting Tenants Scheme instead of introducing punitive measures.

19. Dr Anthony CHEUNG did not support the recommendations from a values point of view. Though he agreed with the principle that PRH should be provided to those in

need of housing, he did not agree that well-off tenants, whose wealth came from their hard work, should be forced to move out of PRH by means of MR. Once tenants were charged MR, their relationship with the Authority would be changed to a commercial nature because they would no longer receive housing subsidy. The recommendations conveyed a negative message to tenants that they could not stay in PRH unless they remained poor. This would not solve the PRH shortage, which was the crux of the problem. Mr YEUNG Ka-sing did not agree that the new policy would deter tenants' incentive to prosper. If tenants intentionally avoided getting rich in order to stay in PRH, it would be a decision that they chose to take. The Acting Director of Housing said the new policy should not have any adverse effect on tenants' drive for upward social mobility in view of the generous income and asset criteria. For 4-person families, only those with monthly income over \$44,000 and net asset value over about \$1.5 million would be affected. These families were among the top 15% of the highest income households. The criteria should be acceptable. It was the intention of the new policy to change tenants' concept. To achieve effective use of the limited PRH resources, higher circulation of PRH was required. As pointed out by Mr LEE Wing-tat, measures were being adopted concurrently to encourage tenants to move towards home ownership. However, in parallel, it was also necessary to adopt MR as a driving force to motivate well-off tenants who were not in need of PRH to move out. Prof YEUNG Yue-man added that the current recommendations were mild since compulsory termination of tenancies was not adopted. The new policy only tried to make use of market mechanism to make tenants move out of PRH.

20. Ms LEUNG Wai-tung supported the spirit of the Ad Hoc Committee. She however found the recommendation in paragraph 7.1(5) of the Report unacceptable. She pointed out that under the existing arrangement, priority to purchase HOS flats by tenants who had been paying additional rent for three years or more was limited to a quota of 500 per phase. The current proposal which allowed DR/MR paying tenants not in possession of private domestic properties to have second priority to purchase HOS flats without quota restriction was more relaxed. It allowed well-off tenants who had received years of housing subsidy to obtain further subsidy by easily purchasing HOS flats. It would also further reduce the chances of purchasing HOS flats by non-DR/MR paying tenants. Ms Leung considered the proposal unfair and regressive and was not in line with the objective of the Long Term Housing Strategy to allocate housing subsidy, in the form of both PRH and HOS, according to need. She envisaged that if the recommendations were approved, most or all HOS flats would be bought by the first priority purchasers, viz those affected by redevelopment/clearance, and second priority purchasers, namely, DR/MR paying tenants. Very few HOS flats or even none would be left for non-DR/MR paying tenants. She considered this a discrimination against the less well-off families and a conflict with the premise of "rational allocation of public to co-ordinate and facilitate the process.

(Mr CHAN Bing-woon left the meeting at this juncture.) housing resources". Since MR was not a punitive measure, and DR/MR paying tenants should be able to afford purchasing flats in the private sector or HOS flats in the secondary market, the offer of privileges to such extent was not necessary. She therefore strongly objected to paragraph 7.1(5) of the Report. In response, the Acting Director of Housing said that the existing quota restricted the mobility of PRH tenants to home ownership. It was anticipated that after a period of implementation of the new policy, well-off tenants would eventually move out of PRH to HOS flats thereby releasing PRH flats for re-

allocation to more needy households. Prof YEUNG Yue-man also said that it was necessary to accord second priority with unlimited quota to DR/MR paying tenants to attract them to move out of PRH. Mr YEUNG Ka-sing also disagreed with Ms LEUNG Wai-tung that the recommendation was regressive. He said that it was a process that the Ad Hoc Committee aimed to set up. First, needy people could live in PRH for some ten years during which they would enjoy housing subsidy and improve their livelihood. Then they could own their own home through the HOS. Though HOS flats would involve greater subsidy and even added value when sold, the subsidy would come to an end one day. This model would maintain the circulation of PRH flats and enable more needy people to move into PRH.

21. Ms LEUNG Wai-tung also objected to paragraph 7.1(1) of the Report which proposed using both income and net asset value as the criteria to determine eligibility for receipt of housing subsidy. She was of the view that either income or asset or domestic property should be used as the criterion. Though in support of MR and asset declaration in paragraphs 7.1(4) and 7.1(7) of the Report respectively, she did not agree with the proposed income and asset limits and considered that the net of tenants who were subject to asset declaration was not wide enough.

22. Mr LAU Kwok-yu asked Members to note that only those who had been living in PRH for over ten years would be affected by the new policy and the number of households which would be required to declare their assets would be limited. Tenants who did not wish to declare assets were free to choose to apply for the HOS, Home Purchase Loan Scheme or stay put by paying MR. Mr Lau said that the value of the new policy, like all public policies, should not be assessed only by its effectiveness but also its far-reaching implications. In fact, since the inception of the Ad Hoc Committee, it had been noted that many well-off tenants had already taken action in response to the Ad Hoc Committee's direction. The new policy had already conveyed a clear message that tenants should plan ahead their future accommodation and make room for the more needy ones. Some might argue that in the absence of an overhaul on the allocation of all types of public resources, the Ad Hoc Committee's recommendations should not be implemented. This was unacceptable. The current study aimed at the rational allocation of PRH. The rationalization of the allocation of other types of public resources such as HOS flats could be done separately. He agreed that apart from rational allocation of PRH resources, there were other issues waiting to be handled, including inadequate housing production to satisfy the demand from Waiting List and White Form HOS applicants, which the Government should tackle by providing enough land for the construction of new flats. Mr. Lau also said that the Department should improve the details of the new policy in the light of implementation experience gained.

23. Mr. Dominic WONG, also on behalf of the two other official Members of the Authority, was in support of the spirit of the new policy, which was in line with the Government's policy of allocating scarce housing resources to those in genuine need. He would however reserve his comments on the details of the individual recommendations proposed by the Ad Hoc Committee at this stage and would examine the proposals in detail when the Authority formally forwarded them to the Government. He added that in its report to the Administration, the Authority should give more details on the rationale behind the recommendation in paragraph 7.1(6) in the Report.

24. After discussion, the Chairman called for a vote on Mr FUNG Kin-kee's proposed amendment to the recommendation to paragraph 7.1(1) as mentioned in paragraph 3 above. Mr FUNG Kin-kee and Mr HAU Shui-pui voted for the amendment. Ms LEUNG Wai-tung and Mr LEE Wing-tat abstained. Ms HO On-nei partially supported the amendment. The majority of Members voted against Mr FUNG Kin-kee's proposal. The proposal was therefore dropped.

25. The Chairman then called for a vote on the recommendations proposed by the Ad Hoc Committee which were detailed in paragraph 7.1 of the Report. With the majority of Members voting for the recommendations, they were endorsed by the Authority. The objections of Ms LEUNG Wai-tung, Mr HAU Shui-pui, Mr FUNG Kin-kee, Mr LEE Wing-tat, Dr Anthony CHEUNG and Mr CHENG Kai-nam were recorded.

(Mr M J T ROWSE left the meeting at this juncture.)

26. The Chairman extended heartfelt gratitude to the effort and time contributed by the Chairman and Members of the Ad Hoc Committee and staff of the Department throughout the study. She also thanked Mr HO Wing-him, who would be transferred out of the Department on 27 April 1996, for his hard work throughout the study.

(AGENDA Report on the Review of the Home Ownership Item 2 Scheme
(Paper No. HA 32/96)

27. The written comments relating to the review of the HOS from Mr CHAN Kam-man and the Action Group on the Redevelopment Rights of Shek Kip Mei Estate both dated 24 April 1996 (Annexes E and F) were tabled for Members' reference.

28. The Acting Director of Housing introduced the Report on the Review of the HOS, which was based on the views and comments of the Home Ownership Committee (HOC). Recommendations of the Report were focused on making home ownership more attractive, affordable and increasing opportunities and choices for prospective buyers. She also drew Members' attention to the following -

(a) recommended measures to promote home ownership among tenants affected by the Comprehensive Redevelopment Programme (CRP) would be incorporated in the Long Term Housing Strategy (LTHS) review currently undertaken by the Housing Branch and form part of the LTHS review's public consultation exercise;

(b) the proposals relating to the Private Sector Participation Scheme (PSPS) which involved a review of land grant conditions were outside the ambit of the Authority. The Housing Branch therefore took a lead in this part of the review, with the participation of the Department; and

(c) the Sale of Flats to Sitting Tenants Scheme (SFSTS) would be re-examined by the Housing Branch in the current review of the LTHS. The Department would work

closely with the Housing Branch in its re-examination of the Scheme.

29. In answer to Dr Anthony CHEUNG, the Acting Director of Housing said that with the exception of the proposals mentioned in paragraph 28(a) to (c) above, which would be examined by the Housing Branch, other proposals in the Report were within the purview of the Authority and would be implemented by the Department subject to Members' approval. For the proposals stated in paragraphs 28(a) to (c) above, Members were welcomed to give comments or propose amendments to the proposals for consideration by the Housing Branch. Upon completion of the LTHS review, the proposals relating to the HOS Review would be brought up to the Authority for Members' discussion again when the public consultation document was available.

Promotion of Home Ownership among CRP Tenants

30. The Acting Director of Housing noted that there was much public interest in the proposal to promote home ownership among CRP tenants. She emphasized that the Authority had no intention to force CRP tenants to go for home ownership. Sale of transfer blocks would not affect the commitment to rehouse CRP tenants requiring rental flats locally, nor would it delay the rehousing of Waiting List applicants, and careful attention would be paid to the public opinions expressed on these proposals. The decision to transfer reception public rental housing (PRH) blocks for sale would be based entirely on the CRP tenants' willingness to purchase which would be ascertained through a full survey. Moreover, the housing needs of senior citizens would be fully addressed by retaining some flats in the transfer blocks for rental purposes such as Housing for Senior Citizens (HSC) and one-person flats if they were in short supply.

31. As the Chairman of the HOC, Ms LEUNG Wai-tung said that the HOS Review Report only covered the mainstream ideas of the HOC. She would like to report HOC Members' other views for Members' reference. She reported that some HOC Members opined that reception PRH blocks should be transferred for sale only if the flats could be fully taken up by CRP tenants whereas some other Members had contrary views that a reception block should be transferred for sale if the majority of the flats would be taken up by CRP tenants. Regarding the means of financial subsidy, more HOC Members recommended to offer mortgage subsidy to help CRP tenants purchase HOS flats whereas some other Members considered that price reduction of HOS flats was the simplest form of financial subsidy. A number of HOC Members also suggested that the financial subsidy should also be offered to lower income PRH tenants, apart from CRP tenants. As to whether financial subsidy should be offered to PRH tenants who bought the flats in the transfer blocks which were not taken up by CRP tenants, HOC Members' views were divided. It had also been suggested that the subsidy for these buyers should be reduced.

32. Dr Anthony CHEUNG shared the CRP tenants' worry that their probability of being accommodated in new flats would be reduced if they could not afford to buy HOS flats in the transfer blocks. Messrs FUNG Kin-kee and LEE Wing-tat also considered that it was inequitable to offer refurbished rental flats to those CRP tenants who could not afford to buy flats in the transfer blocks. They pointed out that it had been an established practice that CRP tenants would be rehoused to local new flats upon redevelopment. To preserve CRP tenants' chances of being allocated local new flats, they opined that a new rental block should be transferred for sale only if the flats

could be fully taken up by CRP tenants. Dr Anthony CHEUNG and Mr LEE Wing-tat also considered it unfair to offer mortgage subsidies to PRH tenants living in rental flats of less than ten years in the same district who bought the transfer block flats not taken up by the CRP tenants because PRH tenants in other districts having the same housing needs would not be granted the mortgage subsidies when purchasing HOS flats. The Acting Director of Housing said that the PRH households who were occupying flats built within ten years also aspired to home ownership. Besides, for efficient allocation of housing resources, the relatively new PRH flats vacated by such households could be allocated to the CRP tenants who chose not to buy HOS flats.

33. Mr YEUNG Ka-sing opined that CRP tenants' demand for purchasing transfer block flats should not be suppressed for the sake of administrative convenience. As long as all CRP tenants could be accommodated in HOS or PRH flats, he agreed that flats not taken up in transfer blocks should be offered for sale to PRH tenants living in PRH estates in the same district which were within an age range of ten years.

34. Regarding the written comments in Annexes E and F, Mr YEUNG Ka-sing and Mr LAU Kwok-yu held the view that it was reasonable to offer CRP tenants local rehousing but not necessarily new rental flats. Refurbished PRH flats which were built within ten years should be acceptable. Mr Yeung suggested that the Department should clearly inform the public of this policy.

35. Mr LAU Kwok-yu agreed that mortgage subsidy should be granted to CRP tenants to increase their chances of becoming owners of HOS flats subject to the condition that the chances of other CRP tenants to be allocated PRH would not be affected.

36. Ms SIU Yuen-sheung agreed to the recommendations of the Report which made HOS flats more attractive by relaxing the resale restrictions, improving the quality and management of the HOS flats, etc. She opined that the proposal of transfer blocks gave CRP tenants an opportunity to purchase HOS flats in a preferred location. She suggested that the Department should give a clear message to the public that the measures to promote home ownership among CRP tenants would not affect their chances of local rehousing if they opted to remain in rental flats. While agreeing to the proposal to offer the flats in a transfer block which had not been taken up by the CRP tenants for sale to PRH tenants living in flats of less than ten years in the same district, Ms SIU Yuen-sheung considered that the amount of financial subsidy should be reduced for these buyers.

37. Mr Nicholas BROOKE considered it simpler to offer price reduction rather than mortgage subsidy in promoting home ownership but he would respect the majority view of Members. He remarked that the proposal to offer financial subsidy to non-CRP tenants who purchased flats in transfer blocks deserved further consideration.

38. Considering Members' diversified views on the proposal relating to the sale of transfer blocks, Ms LEUNG Wai-tung and Messrs FUNG Kin-kee and LEE Wing-tat suggested and the Acting Director of Housing agreed to include the minority views of Members on the recommendations in the Report.

39. Mr Walter CHAN supported the recommendations of the Report which made the

HOS policy more flexible. In particular, the sale of transfer blocks would provide one more avenue for better-off tenants who had lived in PRH flats for less than ten years to buy HOS flats, resulting in more rational allocation of housing resources.

40. Mr Walter CHAN was of the view that apart from fairness, it was more important that public policies should be rational and lenient. As the proposal to grant mortgage subsidy to CRP tenants in buying transfer block flats was lenient while the restriction of not granting the subsidy to market rent payers was rational, Mr Chan supported the proposed measures to promote home ownership among CRP tenants.

Management of HOS Courts

41. Ms SIU Yuen-sheung agreed to the Authority's objective to encourage owners of HOS estates to be directly responsible for the management of their properties by forming Owners Corporations (OCs).

42. Mr FUNG Kin-kee opined that whether OCs could be formed within 12 months after building completion depended much on the attitude of the owners which was beyond the control of the Authority. Messrs CHAN Bing-woon and CHENG Kai-nam said that, from their experience, OCs often could not be formed in private estates within 12 months from building completion. Mr Cheng said that the difficulty was sometimes caused by objection from owners of commercial units. Messrs CHAN Bing-woon and CHENG Kai-nam, together with Mr Nicholas BROOKE and Ms SIU Yuen-sheung requested that the period within which the OCs had to be formed should be handled with flexibility. Moreover, they suggested that the Department should educate the owners of HOS flats on their management responsibilities of their properties as well as the advantages and disadvantages of forming OCs. In this respect, the Acting Director of Housing explained to Members that the proposal to require owners to form OCs within 12 months was a positive approach to improve the management of HOS estates. She understood that there might be difficulties in forming OCs and the requirement to form OCs within 12 months would be handled with flexibility. Furthermore, she shared Members' view on the importance of educating owners of HOS estates about their management responsibilities. She added that the Department would also provide aids such as maintenance manual for the owners' reference.

(Mr Joseph CHOW left the meeting at this juncture.)

43. Mr FUNG Kin-kee wondered whether failure to form OCs, within 12 months would lead to legitimate complaints against the Authority. Mr Simon LEE said that the Deed of Mutual Covenant (DMC) only laid down the rights and responsibilities of the owners of HOS estates, instead of those of the Department or the Authority. As the owners had the management responsibilities of their properties and that the Department would only assume the role of assisting the formation of OCs, the Authority or the Department would not be held accountable for any failure in formation of the OCs within 12 months after building completion.

Relaxation of Resale Restrictions

44. Mr CHAN Bing-woon supported the proposal to relax resale restriction on HOS/PSPS by allowing owners to sell their flats at negotiated price to PRH tenants and

those who were eligible for PRH in the secondary market from the fourth year of first assignment onwards. He thought that it was a right approach which helped reduce under-utilization of scarce housing resources and provided more choices of HOS/PSPS flats for eligible buyers.

45. Ms LEUNG Wai-tung had reservations about relaxing the resale restrictions of HOS/PSPS flats because it would have an impact on the prices of HOS/PSPS flats and affected social stability. For example, following the change in resale restrictions of HOS/PSPS flats from five years to ten years since the HOS Phase 3B sale exercise, a greater discount in prices of HOS/PSPS flats had been offered. As such, she opined that relaxation in resale restrictions on HOS/PSPS flats should only apply to new buyers of HOS/PSPS flats. In addition, she was concerned that if the owners of HOS/PSPS flats moved to the private property market, prices of private residential flats would be driven up, making it more difficult for those households who were not eligible for purchase of HOS flats to buy their own home.

46. Mr Nicholas BROOKE was concerned about the proposed operation of the secondary market for HOS/PSPS flats through estate agents. He considered it necessary for the Department or the Authority to act as a clearing house

47. Mr LAU Kwok-yu agreed to the establishment of a secondary market for HOS/PSPS flats. He remarked that if the secondary market was operated through estate agents with assignments being dealt with by solicitors, the estate agents and the solicitors would have to be carefully briefed on the scheme, particularly in respect of the inherited liability to pay premium should the buyers wish to resell the flats in the open market after ten years from first assignment, so that they could bring this liability to the attention of the buyers.

Other comments

48. Mr LEE Wing-tat commented that the HOS Review was not thorough since it mainly focused on promotion of home ownership among CRP tenants instead of PRH tenants. To make home ownership more attractive, he counter-proposed to reduce the present mortgage-income ratio (MIR) from 40% to 30%. Figures on the loss of revenue to the Authority in the next five years as a result of his proposal of price reduction was required to assess the financial implications. The Acting Director of Housing commented that the MIR was more important to White Form applicants who were subject to an income test. Income test was not required for Green Form applicants to whom most of the HOS flats were sold.

49. Ms LEUNG Wai-tung considered that the HOS review should cover measures to promote home ownership among PRH tenants instead of CRP tenants. She disagreed that further subsidies be offered to CRP tenants in the purchase of HOS flats by means of mortgage subsidy because the CRP tenants had already enjoyed the benefits of occupying subsidized housing for many years and were given priority in buying HOS flats.

50. Ms Leung also said that the objectives of the HOS were to encourage better-off PRH tenants to upgrade to home ownership as well as to provide an avenue for home

ownership for non-PRH households. As such, she opined that White Form applicants should not be discriminated in the purchase of HOS flats. In reply to Ms Leung, the Acting Director of Housing said that given limited housing resources, priority would be given to allocating rental housing to non-PRH tenants than to helping them purchase HOS flats. However, the PRH flats released by Green Form buyers of HOS flats could be allocated to other families in need of assisted housing.

51. As regards the formulation of the LTHS, Ms LEUNG Wai-tung suggested for Housing Branch's consideration that in the long run, the Authority had to solve the housing problem by speeding up the construction of PRH and HOS flats. In the short run, she suggested offering households on the General Waiting List other forms of subsidy such as cash subsidy.

Conclusion

52. The Chairman summarized Members' comments as follows -

(a) to encourage owners of HOS estates to take up management responsibilities of their properties, the Department should assist in the formation of OCs by educating the owners about how the estates could be effectively managed and providing aids such as maintenance manual; and

(b) in view of Members' varied comments on the proposed measures to promote home ownership among CRP tenants, other options suggested by Members should also be included in the Report.

53. With the exception of the proposals set out in paragraph 28(a) - (c) above and subject to the incorporation of other options suggested, Members endorsed the recommendations of the Report. The revised Report would be submitted to the Housing Branch for consideration.

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54. There being no other business, the Chairman closed the meeting at 12:08 p.m.

CONFIRMED on

Hon Rosanna WONG Yick-ming, CBE, JP
(Chairman)

Lawrence CHOW
(Meeting Secretary)

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