

Doc Type	DC
Paper No	6/97
Title	Long Term Housing Strategy Review Encouraging Wider Home Ownership
CONTENTS	<p>DC 6/97 LTHS 10/97</p> <p>THE HONG KONG HOUSING AUTHORITY</p> <p>Memorandum for the Development Committee</p> <p>Long Term Housing Strategy Review</p> <p>Encouraging Wider Home Ownership</p> <p>PURPOSE</p> <p>This paper provides background information on the subsidised home ownership schemes currently operated by the Housing Authority (HA), and sets out the Long Term Housing Strategy (LTHS) Review proposals to encourage wider home ownership.</p> <p>EXISTING SCHEMES</p> <p>2. The improved economic conditions in Hong Kong have brought about an increasing demand from the public for improvements in their living conditions, and a growing aspiration to own one's home. This is well recognised by the HA and indeed one of our main housing policy objectives is to promote and help satisfy the growing demand for home ownership. At present, the Home Ownership Scheme (HOS), Private Sector Participation Scheme (PSPS) and the Home Purchase Loan Scheme (HPLS) are the three main schemes operated by the HA to help middle and lower income families to buy their own homes.</p> <p>3. The home ownership rate in Hong Kong has increased by about one-third over the past ten years to a little over 50% today, of which 12% is in the public sector. However, it is worthwhile to note that about 2.3 million people, or about 35% of all households in Hong Kong, are still living in public rental housing.</p> <p>Home Ownership Scheme/Private Sector Participation Scheme</p> <p>4. The HOS commenced in 1978 in which the HA built flats for sale to eligible families at affordable prices. It is supplemented by the PSPS in which flats are built by private sector developers on land sold through tender by the Government. Sale under the PSPS is subject to conditions on the number, size and design of the flats, along with a guarantee of the sale price for each flat. Up to December 1996, a total of 220,000 HOS/PSPS flats have been sold. We shall further build a total of 140,000 HOS/PSPS flats by 2000/01.</p> <p>5. Both HOS and PSPS are targeted at two groups of buyers : Green Form (GF) and White Form (WF) applicants. GF applicants are HA and Housing Society sitting tenants; potential HA tenants (families on the Waiting List); people displaced by clearance and HA's redevelopment programme. WF applicants are households in the private sector who do not own any domestic property and who have a household income below our prescribed limit (currently of \$30,000 per month).</p> <p>6. Both schemes are very attractive to applicants (see details of over-subscription rates at Annex A). To encourage better-off tenants to vacate their flats for re- allocation to families in need, the quota allocation between GF and WF applicants has been set at 4:1. Some 95,000 GF applicants have purchased flats under the schemes, thereby releasing over 80,000 rental flats for re-allocation.</p> <p>7. Prices for HOS/PSPS flats are determined on the basis of the affordability of the target buyers. They now represent a substantial discount (about 45%) to their assessed market value. The low sale prices are due to the fact that the HA is required to pay only the cost of land production to Government but not the land premium. Any surplus from sales income over development will accrue to the HA for funding the construction of new rental and HOS/PSPS flats. In addition, the HA has made arrangements with the banking institutions to offer mortgages at preferential terms. These include a 20-year repayment period, up to 90% and 95% of the purchase price for WF and GF applicants respectively, and a mortgage interest rate below market levels. In return, the HA guarantees to make good an institution's loss in case of default.</p> <p>8. Both HOS and PSPS flats are subject to a ten-year resale restriction. If an owner wishes to sell his flat during</p>

this period, he must sell it back to the HA at the original or the prevailing HOS prices. After ten years, the flats can be sold in the open market, after payment of a premium equal to the updated value of the original discount. Action is in hand to relax the resale restrictions by setting up a secondary market which will enable owners to sell their flats after three years of purchase to GF applicants at negotiated prices.

9. To meet the growing aspiration of GF applicants for home ownership, the HA has also been operating a 'transfer block' scheme since 1984. Under the scheme, new housing blocks which are originally earmarked for rental purpose but are not required by the committed rehousing categories will be sold to applicants. So far, 40 blocks with about 25,000 flats have been sold under the scheme. These flats are sold at prices slightly lower than those of HOS/PSPS to reflect their differences in fittings and finishes.

Home Purchase Loan Scheme

10. The HPLS, introduced in 1988, aims to give families qualified for HOS/PSPS an option to buy flats in the private sector. Eligible applicants are offered an interest-free loan, repayable up to a maximum of 20 years. Alternatively, they may opt for a monthly subsidy for 48 months which need not be repaid. The current amounts of loan and monthly subsidy for families living in private housing are \$400,000 and \$3,400 respectively. Since June 1995, the amounts of loan and monthly subsidy for public housing tenants have been increased to \$600,000 and \$5,100 respectively in order to encourage more tenants to purchase property and to give up their rental flats for re-allocation. A quota of 7,000 loans/subsidies are earmarked for 1996/97.

11. Since the inception of HPLS, a total of 17,040 loans and 1,034 subsidies have been granted (up to February 1997). About two-thirds and one-third of the loans/subsidies were taken up by GF and WF applicants respectively. Details of the numbers of loans/subsidies granted and rental flats recovered are at Annex B.

LTHS REVIEW PROPOSALS

12. The LTHS Review re-affirms the Government's view that home ownership is good for both the community and the individual as it helps to foster social stability and a sense of belonging. It also helps families to provide for their own future financial security. The Review, however, recognizes that there is still a large unmet demand for home ownership as evidenced by the heavy over-subscription of the subsidised home ownership programmes, both flats for sale and home purchase loans. In response to this demand, the LTHS Review proposes -

(a) to maintain and, where possible, expand the existing schemes to help eligible families to buy their own homes; and

(b) to provide new opportunities for public housing tenants to become home owners.

13. To encourage wider home ownership, the LTHS Review has made the following specific proposals -

(a) HA should consider widening the 'transfer block' scheme to provide more home purchase opportunities among both existing and prospective tenants;

(b) Support is given to the HA's recent proposal to grant a monthly mortgage subsidy during the first three years to Comprehensive Redevelopment Programme tenants who choose to buy new flats in the reception estates;

(c) Public housing tenants should be allowed to apply for the purchase of Sandwich Class Housing flats both to encourage better-off tenants to move out of subsidised housing which they no longer need and, more importantly, to release flats for re-allocation to other families in greater need;

(d) HA is invited to work out the details for launching as soon as possible, a scheme to sell rental flats to public housing tenants. The prices of the flats are proposed to be set at a level which would enable the HA to recover the replacement cost of the concerned flats while adjustments could be made to reflect depreciation and the relative value of, say, location; and

(e) Support is given to the proposed establishment of the Mortgage Corporation to provide an adequate supply of mortgage loans to help families wishing to buy their own homes.

14. As indicated in DC Paper No. 3/97, the Department (HD) will make submissions to the relevant Committees to facilitate their deliberation of the above proposals which are related to the HA, with a view to formulating a consolidated HA/HD response to the LTHS Review by mid-May 1997.

DISCUSSION

15. At the next meeting of the Development Committee to be held on 24 March 1997, Members will be invited to note our present efforts and the LTHS Review proposals to promote home ownership, and to advise whether any other initiatives should be considered in response to these proposals.

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