

Press in April 1996

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Headline : *Recommendations on HOS Review Announced*

Content : The following is issued on behalf of the Housing Authority :

The Housing Authority's (HA) Home Ownership Committee (HOC) today (Thursday) examined a series of recommendations made in the Report on the Review of the Home Ownership Scheme and would later submit these proposals to the Authority for endorsement.

The Chairman of the HOC, Ms Leung Wai-tung, said that the Home Ownership Scheme (HOS) was launched in 1978. For determining the future direction of HOS, HOC last year proposed that a comprehensive review should be carried out to re-examine various aspects, including the pricing formula, resale restrictions, mortgage, quality and management.

The overall home ownership rate in Hong Kong is 52 per cent, of which 11 per cent are in public housing. Ms Leung said that HOS should be made more attractive to further assist tenants to move to home ownership.

She pointed out that HA had a stock of 204,000 HOS flats and 660,000 public rental housing (PRH) units.

HOS and rental housing would continue to develop simultaneously to provide accommodation for those in need and choices for those who could afford home ownership.

She said that relaxing resale restrictions was one of the major recommendations in the Report. The period of restriction should count from the date of first assignment from HA instead of from the date of ownership by the buyer. Owners would have to sell their flats to HA at original prices during the first three years from first assignment.

Owners could then sell their flats to HA at prevailing HOS prices in the fourth to tenth years from first assignment. After 10 years from first assignment, owners could sell their flats in the open market subject to payment of a premium proportionate to the original discount.

In order to promote the mobility of PRH units, HOC suggested setting up a secondary market by allowing owners to sell their flats at negotiated prices to PRH tenants and people who would soon be allocated a rental unit from the fourth year from first assignment. PRH tenants would subsequently release their rental flats for further allocation to others in need.

New owners would be responsible for payment of the premium when they sold their flats in the open market.

In response to tenants' concern over quality, Ms Leung pointed out that improvements on HOS design and quality assurance were also covered in the review. Quality assurance systems for HOS buildings both at the design stage and during construction had been implemented through the Contractors and Building Services Performance Assessment Scoring Systems.

A pilot project providing purchasers with choices on fittings and finishes would be carried out to assess the feasibility of the project and implications on timing of completion.

After ascertaining implications on contract prices, HOC would decide whether warranties provided by contractors should be extended to cover items such as water proofing, plumbing and drainage, and external works, etc. A handbook setting out special areas to note in home decoration would be prepared and issued to owners as soon as possible.

On pricing and mortgage arrangements, HOC suggested that existing pricing formula based on affordability should be retained.

The prices of HOS flats were clearly affordable, as reflected in the large over subscriptions recorded in recent phases of HOS sale and an average of 12 times over the last five years.

Negotiations with financial institutions would continue to explore the possibility of more flexible mortgage arrangements including longer mortgage period and stepped-up mortgage payment level, etc.

In order to minimize delay in completion of HOS projects, HOC recommended that instructions to improve standard designs in the course of a contract would no longer be issued unless for safety and security reasons. More emphasis would also be placed on the progress of contracts in evaluating contractors' performances.

For safeguarding purchasers' interests, the standard agreement for sale and purchase of HOS flats had been amended in May 1995 to provide a new formula for computation of ex-gratia payment for delay in completion of flats. Extension of time for completion of flats would be limited to restricted circumstances, such as inclement weather only.

On HOS management, HOC made some recommendations to further motivate owners to take greater interests in managing their own properties. In September last year, HOC had approved a five-year Programme of transfer to agency management for HOS courts currently managed by HA. With support of owners, the Programme might be completed earlier. In addition, maintenance manuals on major and essential maintenance items would be prepared to assist owners to manage their properties effectively.

The HA would in future manage HOS courts for 12 months after their completion. The Deed of Mutual Covenant would provide a requirement for owners to form Owners Corporations with one year to take up management responsibilities.

The review also covered a number of recommendations to encourage home ownership among tenants affected by the Comprehensive Redevelopment Programme (CRP).

As these recommendations were contentious and directly related to the Long Term Housing Strategy (LTHS) review, HOC therefore suggested that proposals on CRP tenants buying HOS flats should be submitted to the Housing Branch for consideration and public consultation together with other recommendations in the LTHS review. End
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