

(Translation)

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THE HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

Report on the Visit to Guangzhou and Shenzhen

PURPOSE

The purpose of the paper is to inform Members of the experience gained and information exchanged in housing development during the visit to Guangzhou and Shenzhen from 12 to 14 November 1998.

BACKGROUND

2. It has been the established policy of the Authority to keep in close contact with the housing institutions outside HK in order to keep abreast of the latest development in housing elsewhere. Much has been gained from the exchange of precious experiences and ideas in the interflow between the Authority and the institutions in China over the years. Given the proximity of Guangzhou and Shenzhen to Hong Kong and the rapid development of the two cities, it will be of benefit to have better understanding of their development. A delegation to Guangzhou and Shenzhen was thus arranged on 12 - 14 November 1998. Members of the delegation were warmly received by the officials of Guangzhou and Shenzhen and they exchanged views in a friendly and cordial atmosphere.

3. The visit not only provided a chance for the housing experts from Hong Kong, Guangzhou and Shenzhen to exchange ideas on housing matters and better understand the latest housing development and housing policies in the three cities, but also laid the foundation for forging a closer tie between Hong Kong and Guangzhou and Shenzhen.

THEME

4. The visit aimed at getting to understand housing related matters of Guangzhou and Shenzhen, including elderly housing, redevelopment of old area, home ownership scheme, the partnership between the public and private sectors, and management and maintenance of properties.

MEMBERS OF THE DELEGATION

5. Led by the HA Chairman, the Delegation comprised 36 members, including the Vice-chairman of HA, Members of HA and its committees, and representatives of the Housing Bureau, Housing Department, Planning Department and Social Welfare Department. The composition of the delegation is at Annex I.

HOST ORGANIZATIONS

6. The delegation was received by the Construction Commission of Guangzhou and the Housing bureau of Shenzhen which organized the visit.

FORMAT AND PROGRAMME

7. The activities of the 3-day visit included seminars and visits. The delegation stayed in Guangzhou for 2 days and then proceeded to Shenzhen.

8. Members of the delegation had meetings and seminars with Mr DAI Zhi-guo, the Vice-chairman of the Standing Committee of Guangzhou People's Congress, Mr SHEN Bo-nian, the Deputy Mayor, Mr CHEN Kai-zhi, the Chairman of the Standing Committee of CPPCC, the officials of the Construction Commission, Urban Planning Bureau and State Land Bureau, and Mr WANG Ju, the Deputy Mayor of Shenzhen, Mr SUN Da-hai, the Director of Housing Bureau of Shenzhen and other senior officials of the Bureau.

9. At the seminar the Chairman of HA introduced the main work and organization of the Housing Authority and the housing policies of Hong Kong. Views were exchanged on the reform of housing system in China, the overall planning, housing construction programmes, the progress of comfortable-housing projects, Government's land use planning and land administration, the development of public housing and commodity houses, clearance and rehousing, management of housing areas and elderly housing. The topics attracted lively discussions and enthusiastic response. Places visited included Yi Nian Yuen Elderly Housing Estate, Comfortable Housing Area of Dang De Hua Yuen and Jin Cheng Hua Yuen in Guangzhou, Qi Fu Xin Cun in Pan Yu, and Lian Hua Bei Cun and Mei Lin Yi Cun in Shenzhen. A summary of the visits is at Annex II.

PUBLICITY

10. There had been local press presence and TV coverage throughout the visit. The visit had attracted wide coverage in local newspaper and HK.

HOUSING CONDITION IN GUANGZHOU

11. Housing Reform

Starting off in the 1980s, the housing reform of China has now entered a stage of substantive development. From 1 January 2000, the provincial government of Guangdong will abolish welfare houses (i.e. houses allocated free as part of the remuneration package) and fully implement the monetization of home ownership (i.e. replacement of allocation of houses with financial subsidies). Those welfare houses completed before the effective date will still be sold at cost while those after will be sold as economical houses which are basically offered for sale rather than for rental. The government offers different choices for different people: low-rent houses for lowest-income group to rent, economical houses for middle-income group to buy, and commodity houses for higher-income group to buy or rent. Employees of national enterprises depend on their salary, housing provident fund, personal housing loan and housing allowance etc as the main source of fund for home purchase. Housing reform will impact tremendously on the lifestyle and spending pattern of urban dwellers in China, thus bringing changes to the whole property market.

12. Overall planning of Guangzhou

The administrative region of Guangzhou is divided into 8 districts

and 4 counties with a total area of 7,434.4km². In the face of growing population and to address the development needs, the municipal government of Guangzhou has decided to pursue a cluster style of urban development. The coastal region of Pearl River is divided into 3 clusters: the central cluster includes 8 districts developed as a commercial and trading centre; the eastern cluster is an industrial zone consisting of hi-tech cities and harbours; the northern cluster is designed to be a residential area according to the long-term planning.

13. Commodity Houses in Guangzhou

The property market of Guangzhou was once at a low ebb due to factors like the unchecked development in the early days and the financial crises. After a period of adjustment, the commodity housing market in Guangzhou has been gradually reviving this year. The approved pre-sold area of commodity houses exceeds 1,677,000m² in the second quarter of 1998, and the total turnover volume still shows signs of supply outstripping demand, with a vacancy rate of 11%. Besides, the property prices are still on the high side with the average property price in the urban area standing at ¥5,500/m². To develop the commodity housing market, 8 major initiatives will be adopted, viz, implementing policy control on land supply, implementing planning control to guarantee proceeds receivable from land, recovering unused land; suspending supply of scattering lands, allowing time for the completed housing units to be absorbed, stimulating consumption by encouraging commercial banks to release loan, boosting the secondary market, and enhancing market management. To regulate the property market, the government will further improve market rules and regulations and, as an effort to develop the property and construction industry into a new focus of economic growth, promote development of property market through reforms of the secondary market and financial system.

14. Progress of Comfortable-Housing Project (CHP) in Guangzhou

While Guangzhou residents currently have an average living area of 12m², many lower-middle income households still have housing problems. CHP is jointly developed by State Land Bureau, Housing Reform Office

and Housing Construction Office to address the housing problems. Over 30,000 housing units have been built on 2,600,000m² of land from the introduction of Housing for Hardship Cases in 1986 till the CHP now in place. The eligibility criteria for CPH in terms of living area has been revised from less than 5m² in 1994 to 7m² in 1998. More than 100,000 people have benefited so far. The development of CHP is mainly supported by government finances including contribution from various government units, housing reform funds and proceeds from the sale of CHP houses. Furthermore, the government has invited foreign investors to participate in housing production. Reduction in land cost and tax concession is also offered to encourage the development of CHP so that CHP units can be sold almost at cost. Participants of Housing Provident Fund Scheme can even enjoy an allowance granted by the government. CHP houses in Guangzhou are only about one-tenth the number of their counterparts in Hong Kong. However, CHPs enjoy more concessionary measures, such as reduction in land cost, tax, and water and electricity fees, from which those genuinely in need benefit.

HOUSING CONDITION IN SHENZHEN

15. Basic composition of Housing in Shenzhen

The average living area in Shenzhen is 16m², among the highest of the major cities of China. There are broadly 3 types of houses in Shenzhen: welfare houses for civil servants, Party cadre and teaching staff, with an annual provision of 2,000 houses at an average price of ¥1,500/m²; small-profit houses for the general company employees and working class, with an annual circulation of about 6,000 houses at an average price of ¥2,500/m² for the high-rises; market commodity houses for managers of private enterprises, high-income group and people from overseas, with an average price at ¥4,500/m² for the high-rises. Ten years ago, market commodity houses represented 70% of the three housing types whereas welfare and small-profit houses altogether made up 30%. In keeping with the existing policy of “minimizing the ends and stretching the middle”, efforts are being directed to increase supply of small-profit houses so as to expand the clientele. The municipal government of Shenzhen also pays more attention to the environmental design and supporting facilities of housing areas to create a better living environment for the residents.

16. Development of public housing in Shenzhen

Shenzhen Housing Bureau was established in 1986 to undertake the

responsibilities of housing development. The measures initially introduced by the Bureau mainly aimed at providing housing for those looking for a shelter. With the development of Shenzhen and the enhanced living standard of the people, the housing projects developed by the Bureau are becoming larger in scale and obviously better in quality. Civil servants of Shenzhen now enjoy the best housing conditions in the whole country. Deputy Director Huang Rui of the Housing Bureau said that offering solution to the housing problem of urban dwellers was a responsibility of the government as well as an important element of social stability. Modelling on Hong Kong and Singapore where public housing accounts for 80% and 51% of the total supply respectively, Shenzhen is striving to provide 10,000 housing units a year in order to benefit more people.

17. Confirmation of housing development programme in Shenzhen

Shenzhen is characterized by a mobile population with a large proportion of young people and newly weds. To identify the size and nature of housing demand, sample surveys are conducted every 3 to 5 years.

PROCEEDINGS OF THE SEMINARS

18. Proceedings of the Seminars are at Annex III.

CONCLUSION

19. Guangzhou, Shenzhen and Hong Kong have quite a lot of things in common, e.g. high population density, unstable supply of land, city centre filled with older settlements, aging population and strong housing demand from lower-income families. Both sides have benefited from the visit through the exchange of experience. Guangzhou and Shenzhen find it worthy to draw on the Housing Authority's experience in management of shopping centres and construction skills. The three places are working towards a common goal - stabilizing the public housing supply and increasing home ownership, and are committed to resolve the housing problems.

20. Representatives of Guangzhou, Shenzhen and Hong Kong all consider that the visit has achieved satisfactory results and fulfilled the intended purpose of enhancing mutual understanding of each other's housing policies. It would help inspire new policies for housing development in the 3 places if more frequent contacts could be established.

c.c. Members of
Strategic Planning Committee
Building Committee
Commercial Properties Committee
Finance Committee
Human Resources Committee
Home Ownership Committee
Rental Housing Committee
Complaints Committee
Special Committee on Clearance of Kowloon Walled City

Ref: HA/PRP/1/16/1

Date: 4 February 1999

**Visit to Guangzhou and Shenzhen
12-14 November 1998
Hong Kong Housing Authority Delegates**

Delegates	Post Title
1. Dr the Hon Rosanna WONG Yick-ming, JP	Chairman, Hong Kong Housing Authority (Leader of the Delegation)
2. Mr J A MILLER, JP	Vice-chairman, Hong Kong Housing Authority (Director of Housing)
3. Mr Victor SO Hing-woh, JP	Member of Hong Kong Housing Authority (Chairman of Commercial Properties Committee)
4. Ms HO On-nei, JP	Member of Hong Kong Housing Authority
5. Mr CHAN Kam-man, BBS, JP	Member of Hong Kong Housing Authority (Chairman of Rental Housing Committee and Special Committee on Clearance of Kowloon Walled City)
6. Mr Anthony WONG Luen-kin, JP	Member of Hong Kong Housing Authority (Chairman of Complaints Committee)
7. Mr Raymond CHOW Wai-kam, JP	Member of Hong Kong Housing Authority
8. Ms SIU Yuen-sheung	Member of Hong Kong Housing Authority
9. Mr Walter CHAN Kar-lok, JP	Member of Hong Kong Housing Authority (Chairman of Home Ownership Committee)
10. Mr WAN Man-ye, JP	Member of Hong Kong Housing Authority
11. Mr CHAN Bing-woon, SBS, JP	Member of Hong Kong Housing Authority
12. Mr LAU Kwok-yu	Member of Hong Kong Housing Authority
13. Hon NG Leung-sing	Member of Hong Kong Housing Authority
14. Mr NG Shui-lai, JP	Member of Hong Kong Housing Authority
15. Ms Iris TAM Siu-ying	Member of Hong Kong Housing Authority
16. Mr WONG Kwun	Member of Hong Kong Housing Authority
17. Mr CHAN Hon-ying	Member of Complaints Committee
18. Ms Jennifer CHOW Kit-bing	Member of Complaints Committee & Home Ownership Committee
19. Mr WONG Wah-keung	Member of Home Ownership Committee
20. Mr WONG Kwok-hing	Member of Home Ownership Committee
21. Mr Albert SO Chun-hin	Member of Complaints Committee
22. Mr Michael CHOI Ngai-min	Member of Home Ownership Committee
23. Miss Jennifer MAK	Secretary of HKHA (Director Corporate Services)
24. Mr T C YUEN, JP	Business Director/Development
25. Mr K H LAU	Business Director/Allocation and Marketing
26. Mr Joseph LEE	Assistant Director (Management) 2
27. Mr Simon LEE	Assistant Director/Legal Advice
28. Miss Lorna WONG	Principal Assistant Secretary for Housing (Housing Strategy)
29. Miss Sandy CHAN	Principal Assistant Secretary for Housing /2
30. Mr S M LAU	Assistant Director of Planning/Housing and Land Supply

31. Mrs B K LAI	Chief Social Work Officer (Planning), Social Welfare Department
32. Mr Lawrence CHOW	Committees' Secretary, Housing Department
33. Miss Patti HO	Assistant Committees' Secretary /3
34. Mrs Katherine YAU	Chief Publicity Officer (Corporate Affair)
35. Ms Alice LAM	Senior Publicity Officer (Corporate Affair)
36. Miss Lorraine LAM	Assistant Publicity Officer (Corporate Affair)

Developments visited at Guangzhou

1. Yi Nian Yuen

Yi Nian Yuen Elderly Housing Estate, which covers 500 acres with a building area of 170,000m², is situated at Luo Gang Town which is 20km away from Guangzhou. The development, comprised mainly of elderly flats and apartments with some luxury villas, will be developed into a community centre for the elderly with residential, amenity and recreational facilities. Most of the flats are small low-priced units. The development will have more than 1,000 units and it is planned to house 8,000 to 10,000 persons.

2. Tang De Hua Yuen Comfortable Housing Area

The housing project is developed by the Guangzhou Housing Construction Office. Located at the Tang Xie Village, Zhong Shan Main Road in the Tian He District, it covers 32.49 hectares with a building area of 1.08 million m² which can provide accommodation for more than 50,000 persons after completion. A wide range of facilities such as primary and secondary schools, hospital as well as shopping centre are available.

3. Qi Fu Xin Cun, Pan Yu

Jointly developed by a Hong Kong developer and 2 real estate companies in Pan Yu, Qi Fu Xin Cun has a planned area of 6,000 acres. Up to now, 12,000 flats has been sold. The design concept of a satellite town will be adopted in the future phases of the housing development. Accompanied by the person in charge of the project, the delegation visited the estate facilities and the show flat, and was briefed on the operation and management of the estate.

4. Jin Cheng Hua Yuen

Jin Cheng Hua Yuen is a commodity housing development. Situated between the Dong Feng Road and the Zhong Shan Road, it occupies 50,000m² with a total residential building area of 160,000m². It has 14 blocks of 10-storey building and 5 blocks of 32/33-storey tower building.

The delegation visited the club house, the landscaped area and the show flats.

Developments visited at Shenzhen

1. Lin Hua Bei Cun

Developed by the Shenzhen Housing Bureau, Lin Hua Bei Cun is a large residential development of welfare and small profit houses. It covers 480,000m² with a total building area of 640,000m². The population is around 30,000.

With the meritorious integrated management system promoting “flawless” services, Lin Hua Bei Cun was awarded “the model housing area” in the Competition of National Property Management of Residential Developments.

The Municipal Government and the developers have become more aware of the importance of property management, realizing that property management is indispensable for real estate development and that a better environment is essential for property appreciation.

2. Mei Hua Yi Cun

Located at the south of the Mei Lin reservoir in Fu Tian District, the development was built by the Shenzhen Housing Bureau as quarters for public officers. The planned area of the development is 400,000m² while the total building area is about 800,000m², of which 670,000m² are for residential purpose. Public officers in Shenzhen today enjoy the best living condition in China, and Mei Lin Yi Cun should be claimed as one of the best housing developments in Shenzhen. The overall layout adopts an enclosing design, integrating the central green link with the small enclosure. The residential buildings in western style are designed by Hong Kong architects. For the sake of environmental protection, and to avoid the removal of unwanted provision by tenants, all flats are equipped only with basic necessities.

It is worth mentioning that intelligent management system is introduced in the development. The management services provided includes indoor security installation, distant meter reading, emergency help, gas leakage detector and electronic security patrol.

The introduction of intelligent management has provided tenants with comprehensive and convenient services in addition to a safe and

comfortable living environment. It is a clear demonstration that property management has been accorded an even higher priority in China. We may expect to see a greater emphasis on modernized management and customer-oriented services in Mainland's real estate development.

Proceedings of seminar held in Guangzhou

Officials from Development Division of Construction Commission, Urban Planning Bureau and Housing Construction Office briefed the delegation on the commodity housing market, the Comfortable Housing Project (CHP) and the overall planning of Guangzhou. The Chairman of the Hong Kong Housing Authority gave an outline of the major work, functions and housing policies of the Authority. Useful discussions then took place between both sides on topics of common concern.

1. Referring to the allocation and management of land by the government, a Member asked what criteria the municipal government of Guangzhou adopted for recovering unused land. Officials of Guangzhou replied that the sale of land initially took the form of open tender with a time limit specified for the land to be developed. The land would be deemed unused and recovered by the government if construction work was delayed due to lack of money on the part of developers. However, such provision pertaining to recovery of land was not applicable if construction work had commenced.

2. A Member enquired about the ratio between public housing and commodity housing and how the figure was changing. Officials of Guangzhou responded that a survey conducted by the government earlier showed that the housing demand in Guangzhou was projected to be more than 25,000,000m² for the next 5 years, i.e. about 80,000 housing units with a total area of more than 5,300,000m² would be needed per annum. Housing for Hardship Cases and CHP would be gradually merged into economical housing. It was expected that economical houses would account for 30% of the total housing supply while commodity houses will increase to 60% and private housing 10%.

3. Referring to clearance, a Member asked whether clearnees could be rehoused in the original district. Officials of Guangzhou replied that if the cleared land was used for housing construction, in-situ rehousing would be possible and developers would arrange temporary accommodation for the affected households during the construction period. If the land was consumed for non-residential purpose, developers would provide accommodation elsewhere for the clearnees. Besides, as per the specification for in-situ rehousing, same building area would be allocated as compensation for those households rehoused in units below 7th floor and an additional area of 5% would be granted for those above. The minimum space allocation standard was 5m² per person.

4. On elderly housing, the Construction Commission of Guangzhou Municipality indicated that the Civil Affairs Bureau was responsible for attending to the needs of the elderly. Guangzhou was now facing the problem of aging population, with more than 600,000 people aged over 60. The Yi Nian Yuen in Guangzhou, which received great support from the government, was developed to meet the need of the elderly.

5. Referring to low-rent houses, a Member asked how the municipal government dealt with tenants affected by due tenancies. Officials of Guangzhou replied that there were normally 3 options. First, these tenants would be given priority to purchase economical houses. Second, they would be offered loans derived from the housing provident fund. Third, a grace period of one year would be granted for them to seek alternate accommodation.

6. As for the problem of illegal structures, the officials of Guangzhou said that any illegal structure found would be demolished immediately. The Government would conduct regular check and cases involving illegal structure would be referred to the urban control department of the district concerned.

7. In view of the sagging secondary property market in Guangzhou, a Member asked the Municipal Government what initiatives would be introduced to develop the secondary market. The officials of Guangzhou said that the Government would consider offering welfare housing for sale to meet the demand of those who aspired for better living condition while catering for those looking for a transitional accommodation. Owners of welfare houses would be encouraged to trade up for commodity houses by making use of their provident fund. With the development of the secondary market, the demand for housing in the primary market would be stimulated.

8. On the question of how the Government recorded and controlled population growth, the officials of Guangzhou said that since there was a registered residence system in China, control could be administered through registered residence and provisional residence permit, no matter it was a natural growth caused by local birth or a mechanical growth caused by immigration.

Conclusion

1. It was worthy to draw on the experience of Guangzhou on elderly housing, CHP and urban renewal. To address the housing need of the

elderly, the municipal government has directed efforts to develop elderly estates with flats offered either for sale or rental. This not only helped the elderly enjoy a sense of security and a feeling of personal worth, but also facilitated the provision of comprehensive caring services.

2. From the very beginning, Guangzhou attempted to solve housing problems by offering public housing for sale. However, in Hong Kong, public housing at early stage was mainly offered for rental. It was not till later that home ownership schemes were introduced.

3. Besides exchanging ideas on techniques, construction skill, maintenance and management, and estate design, Guangzhou and Hong Kong delegates also shared past experience and learnt from each other so as to avoid making the same mistakes.

Proceedings of seminar held in Shenzhen

The Chairman of the Hong Kong Housing Authority briefed all participants on the structure and financial arrangement of the Authority, and the planning and development of public housing in Hong Kong. Discussions then focused on housing issues.

1. Referring to welfare and small-profit houses, a Member asked if the Shenzhen government had permitted these two types of housing to be circulated in the market. Officials of Shenzhen replied that the government was studying the possibility of doing so. Action were being taken to make relevant laws which would probably come into effect next year. As to the impact of the sale of public housing on the primary market, the government would adopt measures to minimize the impact, such as allowing public housing units to be sold once only and restricting the choice of second-time purchasers to commodity houses.

2. A Member enquired about the source of funds for the construction of welfare and small-profit houses. Officials of Shenzhen replied that the funds came from the government. Through the Housing Fund established by the government, contribution would be made from employees as provident fund for housing production. Sales proceeds from one housing project would be used to finance another.

3. When asked how the prices of welfare houses and the profits of small-profit houses were determined, officials of Shenzhen said that welfare houses were sold at net cost (i.e. exclusive of land cost). For small-profit houses, apart from the net cost, infrastructure and land costs of housing areas would also be recovered from the sale proceeds, plus a profit margin of 10%. As regards eligibility for purchasing small-profit houses, applicants only had to meet some basic requirements, such as having a domicile in Shenzhen or a family, or reaching the age of 35 in the case of single persons, since small-profit houses were offered for sale through public media and it was difficult to ascertain the actual income of applicants.

4. Referring to the government's study on housing demand, a Member asked whether the economic factors and fluctuations of property prices would be considered in assessing housing demand. Officials of Shenzhen replied that housing development was no longer meant to serve employees of national enterprises only. In conducting such study, the government departments concerned would take into account factors including economic development and commodity housing prices and the analysis would

provide reference for policy-making.

5. Concerning the property management of housing areas, the Shenzhen government would invite tender from local property management agencies when a housing project was about to be completed. Proposals submitted by the tenderers would be examined jointly by the government and the experts concerned.

6. Referring to elderly housing, a Member asked whether the municipal government of Shenzhen had considered granting land for the operation of home for the aged jointly with agencies from Hong Kong. Officials of Shenzhen replied that it was rather difficult to grant land for a specific purpose as the government should be consulted first before any decision could be made. Currently, elderly people from Hong Kong could choose to buy commodity houses or villas in Shenzhen. Other modes of cooperation were yet to be discussed by relevant departments of the government. Members also noted that the Chinese Government had legislated for its people to take care of their elderly parents so that the elderly could enjoy a comfortable life at their old age and the problem of elderly singletons could be addressed.

Conclusion

1. With the full support of the Government, the lead time for the key housing projects in Shenzhen was substantially reduced. To achieve the SAR Government housing target of increasing public and private housing production, the HA had to accelerate flat production so that more people could be benefited.

2. The Shenzhen Housing Bureau also faced operational and land problems. Throughout the construction process from the granting of land to the planning and design stage, the Bureau had to make report to all the relevant units and apply for various kinds of permits. It took much time to liaise and co-ordinate with all these units. Besides, it involved a higher cost and additional workload to acquire land from farmers, compared with using formed land in the past. It would be beneficial for both sides to strengthen communication and share useful experiences on housing issues, so as to avoid detours.