

# **THE HONG KONG HOUSING AUTHORITY**

## **Memorandum for the Housing Authority**

### **Report on Visit to Singapore Housing & Development Board and Urban Redevelopment Authority by Housing Authority Members**

A delegation led by Mr . A. Miller, JP, Vice-chairman and Director of Housing, and comprising nine other Housing Authority Members, a Principal Assistant Secretary for Housing, and two departmental staff, visited the Housing & Development Board and the Urban Redevelopment Authority of Singapore from 15 to 17 October 1996. A copy of the Report on the visit is enclosed for Members' information.

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# **Report on Visit to Singapore Housing & Development Board and Urban Redevelopment Authority by Housing Authority Members**

## **INTRODUCTION**

In response to the request from some of the new Housing Authority (HA) Members, it was decided that a delegation of the Authority should pay a visit to Singapore for the purpose of keeping abreast of their latest public housing strategies. It was anticipated that the visit would provide HA with some pointers on the possible future direction of the development and management of public housing in Hong Kong.

## **THE VISIT**

2. The visit took place from Tuesday 15 October 1996 to Thursday 17 October 1996. The programme consisted of briefing-cum-discussion sessions on a number of subjects and visits to housing estates. The detailed itinerary is attached at the **Annex**. The delegation comprised 13 members as follows -

Mr J. A. MILLER, JP (Vice-Chairman Hong Kong Housing Authority and Director of Housing)	Leader
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Mr HAU Shui-pui

Ms HO On-nei

Mr CHAN Kam-man, JP

Mr Eddy FONG Ching, JP

Ms SIU Yuen-sheung

Mr Walter CHAN Kar-lok

Mr CHAN Bing-woon, JP

Mr LAU Kwok-yu

Mr NG Leung-sing

Miss Sandy CHAN Pui-shan  
(Principal Assistant Secretary for  
Housing)

Mr LAM Sze-chuen )  
(Senior Structural Engineer, )  
Housing Department) )  
Secretaries  
) to the  
Mr CHAN Nam-sang )  
Delegation  
(Senior Housing Manager, )  
Housing Department) )

## **PUBLIC HOUSING IN SINGAPORE**

3. In 1960, the Housing and Development Board (HDB) was established. Its objective was to provide affordable homes for every Singaporean in well-planned estates and new towns. Since then, HDB has begun a systematic programme of building public housing. Today, about 86% of Singaporeans live in some 700,000 flats built by the HDB, 81% live in home ownership flats and 5% in rental flats.

4. As at 1 July 1996, the properties under HDB management are as follows -

Flat Type	Size (m <sup>2</sup> )	Total under Management		
		Sold Flats	Rental Flats	Others
1-Room	33	1,149	23,703	-
2-Room	45	5,686	29,271	-
3-Room	69	229,957	10,697	-
4-Room	100	241,295	1,453	-
5-Room	120	115,358	49	-
Executive	145	50,407	-	-
Commercial	-	-	-	19,385
Industrial	-	-	-	10,613
Parking Lots	-	-	-	484,362
<b>TOTAL</b>		<b>643,852</b>	<b>66,173</b>	

5. HDB's massive building programme is financed by the Government through two types of loans - the housing development loan, which helps HDB pay for the costs of development and its operations; and the mortgage financing loan, which helps HDB provide mortgage loans to its flat buyers.

6. HDB maintains its selling prices at a level where the majority of Singaporeans can afford and the deficit is met by government grant. Depending on affordability, Singaporeans can choose from six flat types. These are 1-room, 2-room, 3-room, 4-room, 5-room and executive flats. A 1-room flat, about 35 sq. m., has one multi-purpose room, a toilet and a kitchen; a 4-room flat, by contrast, is about 100 sq. m. and consists of a living room, 3 bedrooms, 2 bathrooms, a kitchen and a store room. Due to higher demand for larger flats, HDB now builds only 4-room, 5-room and executive flats.

7. When setting selling prices, the government policy is that 90% of the households can afford at least a 3-room flat and 70% can afford at least a 4-room flat. Families with higher incomes can opt for 5-room and executive flats. The following tables illustrate the prices of some HDB flats and their relationship with the market prices and household incomes :

***Prices of HDB Flats***

<b>Flat Type</b>	<b>Selling Price (1995)</b>		<b>Subsidy (S\$)</b>
	<b>New (S\$)</b>	<b>Market (resale) (S\$)</b>	
4-room	121,200	216,000	94,800
5-room	191,100	305,000	113,900
Executive	309,800	437,000	127,200

***Affordability***

<b>Flat Type</b>	<b>Average Selling Price (S\$)</b>	<b>Monthly Instalment s (S\$)</b>	<b>Average Household Income (S\$)</b>	<b>Instalment as % of Income (%)</b>
4-room	121,200	510	2,100	24
5-room	191,100	800	3,140	25
Executive	309,800	1,300	4,420	29

8. Over the years, the income of Singaporeans has greatly increased. With basic housing needs met and society becoming more affluent, Singaporeans have become more demanding in their choice of flats. They want better designs, better environment. Most of them are no longer waiting for their first home but for the opportunity to upgrade to better flats. To ensure a fairer and more equitable balance between the housing needs of first-time applicants and upgraders, HDB has introduced a new flat allocation system. Under this system, first-time applicants are given priority with a larger proportion of flats set aside for them, as they need a flat more urgently than upgraders who already own a home.

9. Whilst the income ceiling for home-ownership flats is currently set at S\$8,000 per month, there is no income ceiling for the purchase of resale flats in the open market. Owners of HDB flats, either bought directly from HDB or in the open market, can buy private properties for investment provided that they take residence in the HDB flats (for first-time buyers, they have to satisfy the requisite occupation period as well).

10. HDB encourages those families in the lower income brackets which fall below S\$1,200 per month to buy rather than rent their flats. To help them, rental flats are sold to existing tenants at a discount. In addition, HDB also buys back 3-room flats from the open market and sells them at subsidized prices to low-income families. These families also enjoy a higher mortgage loan quantum, 15% higher than the usual 80% extended to all HDB flat applicants.

11. With economic growth, there comes with it also an emerging group of Singaporeans whose enhanced income disqualifies them from public housing but who find private property beyond reach. For this sandwich group, the government has introduced a new range of housing called Executive Condominiums. These condominiums will be built by private developers but will be priced on the lower end of the private property market. Initially, their allocation and lease management will be governed by public housing policies to ensure that the needs of this targeted group of Singaporeans are met. After a stipulated number of years, these condominiums will attain full private property status.

## DECENTRALIZATION OF ESTATE MANAGEMENT

12. Good estate management has been one of the key factors for the success of Singapore's public housing programme. Broadly, the HDB estate management could be classified into two components: the "Physical Management and Maintenance" and the "Housing Administration". The former involves emergency repairs, routine maintenance, periodic replacement/renewal works, estate improvement works and supervision of estate cleansing services. The latter is concerned with lease and tenancy administration, registration and allocation of flats, collection of mortgage loan and rent payments, control of renovation works, etc.

13. Over the years, the HDB estate management philosophy has evolved with the changing socio-economic profile and expectations of the residents. By mid 1980s, 84% of the residents were homeowners with pride and interest in their living environment and the standard of estate management was at such a high level that it was possible for HDB to consider widening the role of the residents in estate management. This has subsequently led to the devolution of the physical management and maintenance of the estates from HDB to town councils.

14. The idea of setting up town councils to allow residents to determine for themselves the type of environment they prefer to live in was mooted in end 1984. In 1986, three pilot town councils were formed in a new town to test the concept. The pilot project was a success. The Town Councils Act was thus passed in 1988 to enable the implementation of the concept island-wide. Town councils were progressively formed from 1989 to 1991.

15. Town councils are designed to give Singaporeans the chance to decide for themselves the kind of environment they prefer and to let them participate in the day-to-day running of their estates. This choice and participation will, in time, translate into a commitment to their communities and to the nation. The town council, therefore, is more than just a device to manage the HDB estates. It is an important nation-building mechanism to help Singaporeans to forge stronger community spirit and identity.

16. A town council comprises all the Members of Parliament (MPs) for the constituencies making up the town. In addition, the chairman of the town council can appoint between six and thirty members. At least two-thirds of the appointed members must be residents. This is to ensure that the council's decisions reflect the views of the residents.

17. Town councils are empowered under the Town Council Act to control, manage, maintain and improve the common areas of the HDB housing estates within the town and keep them in a proper and clean condition. Thus the duties of a town council include estate conservancy and cleansing, landscaping, repairs and replacement of fixtures and fittings, and provision of essential maintenance and lift rescue services.

## **PRIVATISATION OF ESTATE MANAGEMENT**

18. Town councilors and their MPs operate like the board of directors of a company. They provide policy directions. In order that the MPs and town councilors can concentrate on policy matters, town councils need a good management team and experienced professionals to administer the council's affairs and carry out its duties. Town councils can choose either to directly engage employees or appoint agents to administer the councils' affairs and carry out their duties.

19. There is therefore a need and a market for professional estate management services. HDB has a pool of estate management professionals. In order not to lose its accumulated experience and expertise, and to further support the town councils, HDB formed a private company - EM Services Pte Ltd - in 1988. HDB holds a 75% stake in the company and a major private property management company, Straits Steamship Land Ltd., holds the remaining 25%.

20. EM Services Pte Ltd does not enjoy any special privileges: it has to compete with other estate management companies for the town council contracts. However, all the first six town councils opted to engage EM Services to be their managing agent. To avoid EM Services becoming a monopoly, HDB together with another major private property management company, Property Services Pte Ltd formed an associate company, ESMACO Pte Ltd in 1989, with HDB holding a 49% stake.



21. Additionally, HDB continues to be directly involved in estate maintenance by offering its services as a managing agent of estates run by town councils but limiting itself to manage not more than 10% of the housing stock. This is to enable HDB to keep abreast of estate maintenance and continue its research and development work in this area.

22. Of the 23 town councils, EM Services serves as managing agent to 11 town councils, Esmaco five town councils and HDB two town councils. The remaining five town councils directly engage their own employees to manage the estates.

23. Cleanliness is a critical element in the upkeep of the housing estates. When the housing estates were under HDB management, 60% of the estates were contracted out and 40% under the HDB direct labour force. To ensure that the standards of estate cleanliness do not slip and adequate cleansing resources are available to support the town councils, the HDB formed another subsidiary company, Cleantech Services Pte Ltd in 1989. This wholly-owned HDB subsidiary provides cleaning, conservancy and horticulture services.

24. HDB staff were not asked to make their decisions whether to join the new companies immediately. Instead, they went over to the companies on a secondment arrangement for a period of three years. At the end of the secondment period, they were given three options : (1) to be absorbed by the company as their permanent staff (2) to return to HDB and undertake jobs in other areas of work (3) to continue secondment on a yearly basis. By the third year, it was clear to staff that the companies were successful. More than 80% of the seconded staff opted to be absorbed by the companies as their permanent staff.

25. With the transfer of the physical management and maintenance” of the HDB housing estates to town councils and the successful privatisation of these operations, it gives HDB the opportunity to improve its service in housing administration. Indeed, building communities, not just affordable public housing, will be HDB guiding philosophy in the 1990s and beyond.

## **NEW TOWN PLANNING**

26. HDB adopts the neighbourhood principle as its basic planning concept for new towns. A typical new town has five to seven neighbourhoods. Each neighbourhood comprises six or more precincts of four to eight residential blocks. Each block houses an average of 120 families.

27. New towns are comprehensively planned to be self-sufficient with a full range of facilities from shopping to recreation and from schools to factories. Children's playgrounds and shoplets are provided in the precinct centre, while marketing facilities and supporting essential services such as banks and medical clinics are found in the neighbourhood centre. Emporiums, supermarkets, libraries, post offices and cinemas are found in the town centre which also serves as a focal point for public transport systems, both internal and external to the new town. All these facilities allow for social interaction among residents to develop strong community ties.

28. It normally takes about 10 years for HDB to build a new town. All professional services including planning and architectural design, engineering and quantity surveying are provided in-house, with close co-ordination with other public utility companies. Feedback is constantly collated from residents to make continuing improvements in planning and design of new towns.

29. In planning for new towns of the future, land use assignment, supporting facilities and infrastructure development will be highly integrated as well as linked up with the major arterial networks for enhanced mobility and accessibility. This approach is in line with the Singapore government's concept plan to create self-sustaining and self-contained suburban centres that will help to absorb and deflect the city centre congestion in the future.

## **URBAN REDEVELOPMENT**

30. With continuing economic growth in Singapore, more and more Singaporeans aspire to upgrade and to have better quality homes. The Urban Redevelopment Authority (URA) aims to meet these aspirations by providing a greater variety of housing in Singapore, ranging from high-density apartments to landed properties.

31. At present, about 70 to 80% of housing in Singapore is high-density with a plot ratio of 2.8 and above. Higher density housing beyond the plot ratio of 2.8 has been planned in urban areas, in the city centre or in places well-served by public transport.

32. URA plans to change the mix of public and private housing from the current ratio of 86:14 to 70:30. More low and medium density housing has also been introduced in the URA Development Guide Plans with a view to reducing the proportion of high density housing.

33. Under the Land Acquisition Act, URA is empowered to acquire selected old flats in sites with high redevelopment potential, and redevelop the sites more intensively with better quality housing. The affected flat owners will be given an attractive compensation package.

34. With the aim to take the pressure off the city centre, URA has implemented a decentralisation strategy under which commercial activities which do not need to be located in the city centre are encouraged to move to the four regional centres at Tampines, Jurong, Woodlands and Seletar. These regional centres will each have a commercial quantum of about 1.5 million q.m. of floor area to achieve a better distribution and balance between jobs and homes island-wide, thus creating new growth areas for the next century.

## **MEMBERS' OBSERVATIONS AND COMMENTS**

### ***Home Ownership***

35. It has always been the HDB policy to assist and encourage home ownership. Financial assistance is provided to flat applicants in the form of low-interest mortgage loans and extended repayment schemes. This assistance and the government liberalization of the Central Provident Fund or social security savings for property purchase are the major contributory factors to the success of Singapore public housing.

36. In the 1970s, HDB has already satisfied the basic housing need of Singaporeans. Today, over 90% of HDB flats are self-owned. In Hong Kong, the current percentage of self-owned public housing flats is still very low. Thus, the Authority's recent promotion of home ownership is heading towards the right direction and should be further strengthened.

37. A member of the delegation has suggested that in future study trips the Authority should study the Singaporean Government's housing subsidy (land and cash grant/loan) system and see if any of them can be applied to Hong Kong to make sale of flats more affordable to the public.

### ***Review of Allocation Standard for 1-P Household***

38. Despite the sufficient supply of public housing flats, it is noted that the minimum household size to qualify for an HDB flat is two persons and that HDB has no intention to reduce the household size to one person. As the minimum household size to qualify for a public housing flat in Hong Kong is one person, HA may need to carry out a careful review to see whether this allocation standard can be changed. Other alternatives, such as improving the standard of the Housing for Senior Citizens and/or allocating vacant flats in lieu of new flats to one-person household, should also be explored.

### ***Land Cost of Public Housing***

39. Unlike Hong Kong, it is noted that HDB put down in its account the actual land cost. Instead of telling residents that the land is charged at a reduced cost or as part of the subsidy provided by the government, the disclosure of land cost give residents the correct idea of how much the government has paid for public housing. It is suggested that serious thought be given to adopting this approach in Hong Kong.

### ***Conservancy Charge***

40. It is noted that conservancy charge is collected from both sold flats and rental flats apart from the collection of mortgage loan and rent respectively. This is one of the aspects which facilitate the smooth handing over of the “physical management and maintenance” component of the HDB estate management role to the town councils. In the light of HDB experience, HA could consider separating the conservancy charge from rent. To start with, it may be implemented in new estates only. For existing estates, tenants should be informed of the amount of conservancy charge and separate accounts are kept for the expenses incurred.

41. Whilst heavy subsidy needs to be continued to keep the selling price of Home Ownership Scheme (HOS) flats or the rent of rental flats within the affordability of the buyers/tenants, it seems reasonable that both HOS flat owners and rental flat tenants should pay for their conservancy charges without any subsidy. Furthermore, if conservancy charge is collected from rental flats, it will smooth the process of selling existing rental flats to sitting tenants because owners and tenants will pay the same amount of conservancy charges.

### ***Sale of Rental Flats to Sitting Tenants***

42. The upkeep of an estate is more than just cleaning the place. It also means major repairs and maintenance from time to time, e.g. repainting, lift replacement etc. These repairs are costly. There is, therefore, a need to ensure that enough money is always made available to carry out the jobs when they become necessary. It is observed that town councils are required to set up and maintain sinking funds for the above purposes. And, apart from collecting conservancy charge from the owners/tenants, town councils are receiving government grants, calculated in accordance with the number of flats managed. Thus, when promoting the sale of HA rental flats to sitting tenants, apart from selling the flats at a discount, some grant should also be set aside for repair and maintenance work based on the age of concerned estates/blocks, number of flats to be managed and the condition of its facilities.

## CONCLUSION

43. The visit was most informative and useful. Due to contrasting political and socio-economic circumstances in Singapore and Hong Kong, a direct comparison of the housing policies and achievements between the HDB and HA is not possible. Nevertheless, there are aspects of the HDB operation which members of the delegation consider worth investigation and pursuing by HA.

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