

Doc Type	CPPO
Paper No	25/94
Title	Restriction on Property Ownership in Korea
CONTENTS	<p>CPPO 25/94</p> <p>Memorandum for the Ad Hoc Committee on Private Domestic Property Ownership by Public Rental Housing Tenants</p> <p>Restriction on Property Ownership in Korea</p> <p>PURPOSE</p> <p>This paper gives an account of the information collected so far on restriction on property ownership among on housing applicants, tenants and owners of public housing flats in Korea.</p> <p>PUBLIC HOUSING PROGRAMME IN KOREA</p> <p>2. Korea is heavily dependent on the private sector for housing development and the country does not have a long history of public housing. Established in 1962, the Korea National Housing Corporation (KNHC) is the only public body responsible for construction and management of public housing units at the national government level. KNHC now has a housing stock of about 829,000 flats, or 11% of the total housing stock in Korea. Of these, about 60% are for sale. The current target of production by KNHC is set as about 80,000 flats a year. In recent years, local government agencies were established in large cities to construct housing units with funds from local governments. About 15% of the population in Korea is now accommodated in public housing flats provided by both KNHC and local governments.</p> <p>3. The main housing types provided by KNHC are as follows:-</p> <p>(a) Permanent Rental Housing</p> <p>Entirely financed by the Government for its construction, permanent rental housing is a welfare housing for those who fall within the lowest income bracket, e.g. social welfare recipients, beneficiaries of veterans relief, etc. Key factors to be taken into account in determining a person's eligibility include income, length of residence in the city, size, age and structure of his family and so on. Different from "public rental housing" (paragraph 3(b) below) which is offered to tenants for sale after five years of rental period, this type of housing is intended for use as rental housing on a long term basis. At present, there are about 190,000 permanent rental housing flats. Future planning for this type of housing had come to a halt in 1993 due to limited allocation of funds for further development of this housing type.</p> <p>(b) Public Rental Housing</p> <p>The aim of public rental housing is twofold: to improve the living condition of the low-income earners and to help low-income earners to acquire their own homes. Under existing policy, public rental housing is rented to an eligible person for a period of five years. Upon expiry of the lease, KNHC will offer to sell the flat to the tenant at a price well below the market level. The tenant will also be offered an attractive mortgage facility with repayment representing about 15-20% of his gross monthly income and the mortgage loan is to be repaid over a period of 25 years. To apply for public rental housing, a person has to have contributed certain monthly payments to the "Housing Subscription Savings Deposit" [Note], or be affected by redevelopment projects.</p> <p>(c) Workers Housing</p> <p>There are two kinds of workers housing: it is either for sale to workers direct or to employers who will then rent the housing to workers.</p> <p>[Note: Payments in Housing Subscription Savings Deposit and Priorities in Public Housing (in accordance with the Housing Supply Act in Korea)</p> <p>1st priority : persons who have accumulated more than 24 monthly payments in the Housing Subscription Savings Deposit</p> <p>2nd priority : persons who have accumulated more than 12 monthly payments in the Housing Subscription</p>

Savings Deposit

3rd priority : families with no Housing Subscription account]

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(d) Public Housing for Sale

Beneficiaries are the "houseless households" living in the city where the housing units are constructed. Priority is given to those who have been contributing to the "Housing Subscription Savings Deposit" for a longer period of time, and such priority is determined in accordance with the amount of total contribution made by an applicant as well as the period for which an applicant has not been owning any home of his own.

PROPERTY OWNERSHIP RESTRICTION

4. The policy objective in respect of housing in Korea is "one house for one household". In line with this objective, KNHC imposes restriction on ownership of private domestic properties on its housing applicants, rental tenants and owners of sale flats as outlined below:-

I. Housing Applicants

(a) Applicants for Permanent/Public Rental Flats

Applicants, including all their family members, who own property at the time of application are not eligible for permanent/public rental flats.

(b) Applicants for Home Purchase Flats

Similar to the application for rental flats, applicants and their family members must not own any property at the time of application. In addition, those who have obtained the right to bid for housing by lottery over the last ten years are not eligible. The "one house for one household" policy aims to dampen speculative demand, and to achieve an equitable distribution of wealth.

II. Owners of Home Purchase Flats

5. There is no restriction on property ownership imposed on owners of home purchase flats.

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III. Sitting Tenants of Permanent Rental Flats

6. There is an "evacuation condition" stipulated in the tenancy agreement in respect of permanent rental housing. The condition is enforceable after two years upon commencement of the tenancy. KNHC has the power to require a tenant to surrender his rental flat if he owns a domestic property, or a vehicle which is not used for his means of living, or if the tenant is regarded by KNHC as a "self-sustainable" household. A "self-sustainable" household refers to one whose income has exceeded the "minimum living cost" set by the government, which is at 80% of the income of an average urban labourer. However, as income check is a difficult task, KNHC will also exercise discretion in establishing a tenant's "self-sustainability". For example, in the absence of other more substantial evidence, KNHC will take into account a variety of factors, such as age, health, occupation of family members and so on to deduce whether a household is "self-sustainable". If a household chooses to stay in the rental flat after having been classified as self-sustainable, it has to pay a higher rent.

IV. Sitting Tenants of Public Rental Housing

7. Public rental flats will be sold to tenants after a five year period. No restriction on property ownership is imposed on these tenants.

CHECKING ON PROPERTY OWNERSHIP

8. With the recent completion of a data bank system on owners of all housing units in Korea, KNHC can now check on property ownership more easily. Before the system was introduced, applicants or tenants were required to provide a copy of their certificate of tax payment which showed whether or not property tax was levied.

INFORMATION

9. This paper is issued for Members' information.

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	File Ref. : HD(CR) 24/1/177 III Date : 13 December 1994
Doc Type	CPPO
Paper No	6/94
Title	Existing Restrictions on Property Ownership by Public Housing Applicants and Tenants
CONTENTS	<p>CPPO 6/94</p> <p>THE HONG KONG HOUSING AUTHORITY</p> <p>Memorandum for the Ad Hoc Committee on Private Domestic Property Ownership by Public Rental Housing Tenants</p> <p>Existing Restrictions on Property Ownership by Public Housing Applicants and Tenants</p> <p>PURPOSE</p> <p>This paper gives information on the existing restrictions on private property ownership by housing applicants and sitting tenants of the Authority's rental estates and Home Ownership Scheme (HOS) flats.</p> <p>RESTRICTIONS FOR HOUSING APPLICANTS</p> <p>2. Under existing policies, a person applying for the Authority's rental or HOS flats must not own any domestic properties 24 months prior to the date of his application [Note]. At the time when an applicant registers his application with the Department, he will be required to declare, by using the form at Annex A, whether he or any of his family members included in the application owns the following types of property in the 24-month restriction period -</p> <p>(a) post-war domestic property(including Home Ownership flats); and</p> <p>(b) uncontrolled or self-occupied pre-war domestic property.</p> <p>[Note : According to Section 2 of the Housing Ordinance, "owner" means : (a) a person who for the time being appears from the record of the Land Registry to be the owner of an undivided share in land; and (b) a registered mortgagee in possession of such undivided share in land.]</p> <p>The applicant is also required to declare whether, in the 24 months prior to the application, he has entered into any agreement to purchase, or to dispose of any of the properties as mentioned above.</p> <p>3. Apart from the above, the Authority also seeks to restrict owners of structures on agricultural or private land where the use of the land has been changed to residential use. Applicants possessing Small House Grants are also regarded as possessing domestic properties and are therefore debarred from application for public housing. Apart from these, owners of permanent structures on rooftops, who have registered their titles with the Land Registry are also regarded as owning private properties, although they can apply to reinstate their eligibility in cases where the Buildings Department orders to demolish their structures. A person will be disqualified from application for public housing if he owns a share in a domestic properties as mentioned above. The relevant guidelines for use by the Housing Applications Section are given at Annex B.</p> <p>4. During vetting interviews, housing staff will also request the applicant to declare again whether he owns any property 24 months prior to the registration date up to the date of the interview. The relevant declaration form is at Annex C. The applicant is subject to the same non-property ownership restriction until the time he is successfully rehoused to public housing.</p> <p>5. Details with regard to the dates from which the 24- month property restriction will apply to different categories of housing applicants are set out below -</p> <p>-----</p> <p>24-month restriction period Category of Applicants to be applied prior to</p> <p>-----</p> <p>Waiting List applicants Date of registration of application</p> <p>Squatter and THA clearees applying for rental flats; no restriction if applying for HOS flats using "Ordinary Green" status</p>

Applicants under Civil Closing date of application Service quota (applicants who are due to retire in or before 1995/96 will be subject to six-month restriction only prior to closing date of application)

Applicants under THA Closing date of application Trawling exercise

Applicants under the Restriction at the time of Compassionate Rehousing investigation only quota

RESTRICTIONS FOR SITTING TENANTS

6. Under existing policies, there is nothing to debar a tenant from owning private property upon taking up a tenancy in public housing. A property-owning tenant in rental estate can apply for a HOS flat using Ordinary Green (i.e. ordinary priority) form; he will be accorded with the first priority in HOS application if the housing block in which he lives is formally announced for redevelopment in the coming 18 to 24 months. Apart from these, a property-owning tenant, like any other tenants, is fully eligible for inheriting the tenancy on the death of the principal tenant, although in such cases, the rental income generated from the self-owned property will be taken into account in determining the rent to be paid.

7. The only restriction on account of property ownership for sitting tenants applies when the tenant wishes to obtain another public housing flat for relief of overcrowding, or apply for voluntary transfer on medical, social or other reasons. Under such circumstances, a property-owning tenant will be regarded as having the means to resolve his own housing problem, and will therefore be ineligible for such an application.

EXISTING SCOPE OF RESTRICTION

8. It is worth noting that under the existing policies, the scope of the Authority's restriction is confined to registrable immovable properties for domestic use in Hong Kong. The Authority does not seek to impose restriction on properties for other use, such as commercial or industrial properties, or properties outside Hong Kong, such as Mainland China or other countries. As the Authority's responsibility lies with housing but not other assets, it does not seek to restrict persons on the grounds that they own assets other than realty, such as stocks, shares, gold and vehicles, although sitting tenants who are due for income re-assessment under the Housing Subsidy Policy are required to declare the income generated from their assets such as landed properties and commercial vehicles (see the Income Declaration Form at Annex D).

COMMUNICATION WITH APPLICANTS AND TENANTS ON EXISTING RESTRICTIONS

9. The requirement to declare property ownership is spelt out in the housing application form as well as communicated to the applicant during the vetting interview. In the housing application form, it is also stipulated that under Section 26(1) of the Housing Ordinance, any person who knowingly makes any false statement in respect of an application for a lease shall be guilty of an offence and shall be liable on conviction to a fine of \$20,000 and to imprisonment for six months.

NEED FOR REVIEW

10. In the past when the question of property ownership restriction was discussed, the Authority came across many different views as regards the adequacy of the existing system. Some felt that the 24-month restriction period was still too lenient for property-owners and was unfair to non-owners in genuine need of public housing. Some believed that the existing restrictions were too lopsided towards new applicants while there was hardly any restriction on persons upon taking up tenancies in public housing.

11. Apart from the above, it must be recognised that there are areas which present themselves as loopholes for persons who have the means to take care of their housing need to benefit from subsidised housing. For example, the present policies do not seek to restrict the sole proprietors of limited companies formed for the purchase of private domestic flats. Also the existing policies do not seek to stratify the treatment to be given to property-owners in accordance with the number of properties owned and value of such properties. References to the Interpretation and General Clauses Ordinance and Inland Revenue Ordinance (extract at Annex E) point to a wider definition of "property" and "owner", which may provide some food for thought when the Committee considers questions relating to property ownership in the course of its deliberations.

12. As proposed in the work plan in paper CPPO 2/94, ways to deal with sitting tenants having private properties will be further examined at the next two meetings. A detailed review of the existing restrictions as regards new applicants will be conducted at the fourth meeting, after Members have examined various aspects concerning property ownership.

DISCUSSION

13. This paper is presented to Members for information and discussion at the Ad Hoc Committee meeting on 8 October 1994.

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