

Minutes of the Special Joint Meeting of the Housing Authority HOME OWNERSHIP COMMITTEE and MANAGEMENT AND OPERATIONS COMMITTEE held on Monday, 17 March 1997

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PRESENT

Mr CHAN Kam-man, JP (**Chairman**)
Hon Dame Rosanna WONG, DBE, JP
Mr HAU Shui-pui
Hon FUNG Kin-kee
Ms HO On-nei
Mr Nicholas BROOKE, JP
Hon LEE Wing-tat
Mr Anthony WONG Luen-kin
Ms SIU Yuen-sheung
Mr Walter CHAN Kar-lok
Dr Hon Anthony CHEUNG Bing-leung
Mr CHENG Kai-nam
Mr CHAN Bing-woon, JP
Mr NG Leung-sing
Mr NG Shui-lai, MBE, JP
Mr J A MILLER, JP (Director of Housing)
Ms Jennifer CHOW kit-bing
Mr WONG Wah-keung
Mr MA Ching-yuk, JP
Mr HUI Yung-chung, JP
Dr Rebecca CHIU Lai-har
Mr LUI Ping-keung
Mr WONG Kwun
Mr HO Hei-wah
Mr C D B WILLIAMS (Assistant Director of Housing Affairs/2)
Mr Parrish NG (Principal Assistant Secretary for Housing/2)
Miss Victoria TANG (Principal Assistant Secretary/Investments, Finance Branch)
Mr Marco M H WU, JP (Deputy Director/Housing Management)

Mr Simon P H LI, MBE, JP (Senior Assistant Director/Estate Management)
Mr Y L CHAN (Senior Assistant Director/Housing Administration)

ABSENT WITH APOLOGIES

Prof YEUNG Yue-man, OBE, JP
Mr LEUNG Chun-ying
Dr Joseph LIAN Yi-zheng
Mr LAU Kwok-yu (Out of Hong Kong)
Mr Gareth WILLIAMS
Mr Ambrose CHEUNG Wing-sum, JP (Out of Hong Kong)
Mr WONG Kwok-hing (Out of Hong Kong)
Director of Social Welfare

IN ATTENDANCE

Mr Stephen S C POON, JP (Deputy Director/Works)
Mr R J AVON (Deputy Director/Finance)
Miss Jennifer MAK (Deputy Director/Administration)
Mr J J NG (Assistant Director/Central Services and Management Policy)
Mr Y C CHENG (Assistant Director/Policy)
Mr LAU Kai-hung (Assistant Director/Regional Management(1))
Mr Joseph LEE (Assistant Director/Regional Management(2))
Mr K T POON (Assistant Director/Information and Community Relations)
Mr H T FUNG (Assistant Director/Applications and Home Ownership)
Mr C C HUI (Assistant Director/Operations and Redevelopment)
Mr Simon LEE (Legal Advisor)
Mr S Y WONG (Chief Estate Surveyor/Home Ownership Scheme)
Ms Handa LAM (Assistant Legal Adviser)
Mr Y K CHENG (Chief Housing Manager/Applications)
Mr C Y LEE (Chief Housing Manager/Revelopment)
Miss Rosaline WONG (Senior Estate Surveyor/Policy)
Mr K L WONG (Senior Assistant Committees' Secretary/1) (**Secretary**)

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Miss Rosanna WONG opened the meeting at 8:50 a.m. In accordance with Standing Order No. 21, Mr CHAN Kam-man was appointed as the Chairman of the joint Committee meeting.

2. **Mr CHAN Kam-man** started by saying that the purpose of the joint meeting was to discuss the various recommendations of the Long Term Housing Strategy (LTHS) Review. He welcomed Mr Parrish NG of the Housing Branch who attended the meeting for the first time. Apologies for absence were received from Professor YEUNG Yue-man, Mr LEUNG Chun-ying, Dr Joseph LIAN Yi-zheng, Mr LAU Kwok-yu (out of Hong Kong), Mr Gareth WILLIAMS, Mr Ambrose CHEUNG Wing-sum, (out of Hong Kong), Mr WONG Kwok-hing (out of Hong Kong) and Mrs Nancy TSE of Social Welfare Department.

BROADCAST OF PROCEEDINGS

3. **Mr CHAN Kam-man** informed Members that the proceedings of the meeting were being broadcast to the Lecture Hall.

4. With the Chairman's permission, the written comments of H.K. Peoples' Council on Public Housing Policy were distributed for Members' information.

ITEMS FOR DISCUSSION

(AGENDA Long Term Housing Strategy Review

Item 1) Promotion of Home Ownership among Comprehensive Redevelopment Programme (CRP) Tenants

(Paper Nos. HOC 22/97, MOC 36/97 and LTHS 4/97)

5. **Mr H T FUNG** presented the paper. The Department was pleased that the proposed Mortgage Subsidy Scheme for CRP tenants was supported by the Housing Branch.

6. **Mr LEE Wing-tat** noted that the decision to transfer a reception PRH block for sale to CRP tenants would depend on the results of a full survey of the tenants involved undertaken after the target date of evacuation is announced. As there would be a lead time of five years before commencement of redevelopment, the timing of this survey would need to be worked out carefully as the results might vary with the time the survey was conducted. Moreover, in the event that only more than one but less than two whole reception blocks could be taken up by the CRP tenants, he would prefer to sell only one block. The affected CRP tenants could still buy HOS flats in other districts.

7. In response to Dr Rebecca CHIU's enquiry, **Mr H T FUNG** said that the Department would handle the situation flexibly if there were no relatively new PRH estate in the same district which would provide potential demand for the untaken flats in the transfer block.

8. **Ms SIU Yuen-sheung** supported the initiative in this direction and found the Mortgage Subsidy Scheme workable.

9. **Mr Anthony WONG Luen-kin** also supported the proposal. The scheme was simple and its benefits readily understood by CRP tenants. The decision to go ahead or not was dependent on the actual demand as revealed by a full survey. As there was always a certain percentage of CRP tenants who would prefer rental flats, the scheme had provided a chance of other PRH tenants in the same district to buy the untaken up flats in the transfer block.

10. **Mr NG Shui-lai** endorsed the proposal but cautioned that the interest of those tenants who wanted to continue to live in rental flats must not be unduly affected.

11. **Mr HAU Shui-pui** found the scheme a good move in providing more choices of home-ownership. He supported the policy options under paragraphs 3.24 and 3.26 but not paragraph 3.25. In view of the difficulty to ensure 100% take up rate and in order not to deprive CRP tenants of their right to purchase, the Department should transfer for sale even a fraction of the transfer block. Moreover, he failed to understand the rationale for not requiring the refund of subsidy on resale of flat after three years.

12. **Mr Nicholas BROOKE** also endorsed the general direction of the way forward. He wondered, however, how the Department could maintain adequate supply. With cheaper price of flats and availability of mortgage subsidy, he believed that the demand of CRP tenants should exceed 12% as estimated and urged the Department to undertake more in-depth research of the anticipated demand before implementation of the scheme.

13. **Mr FUNG Kin-kee** did not support the policy option under paragraph 3.24. He considered that all resources should be devoted to meet the needs of the CRP tenants, whether or not they wanted to buy their own flats. Under paragraph 3.24, tenants in other districts were also permitted access to the transfer block. Why should they have priority for the resources allocated over those CRP tenants who could not afford or were unwilling to buy. It was also improper for tenants unaffected by CRP to have Mortgage Subsidy. Besides, he favoured the 100% up take requirement and the Department could determine the order of purchase by ballot.

14. **Mr Walter CHAN Kar-lok** supported the spirit behind the scheme. He considered it fair for owners to repay the subsidy upon resale of flats as they were enjoying not only the mortgage subsidy but also a reduced land premium. He also considered it not advisable to complicate the scheme by the provision of mortgage subsidy at a reduced rate to other PRH tenants. He suggested therefore that tenants, other than those affected by CRP, should not be eligible at all for mortgage subsidy.

15. To maintain the established local neighbourhood as well as harmony in the redeveloped community, **Mr HO Hei-wah** considered that non-CRP tenants should not be permitted to buy untaken flats in the transfer blocks. He did not foresee any insurmountable problem in having a block with mixed tenure.

16. **Dr Anthony CHEUNG Bing-leung** shared Mr Ho's view as it was common in private sector to have a block with mixed tenure situation. He considered the Mortgage Subsidy Scheme workable but it should not be limited to CRP tenants only. To encourage home ownership, all PRH tenants should be treated equally.

17. **Mr CHAN Bing-woon** pointed out that for a block with mixed tenure, the larger the proportion of tenants, the greater the number of management problems. However, the 100% up take requirement might affect adversely the CRP tenants' intention to purchase as there were no guarantee that their bid would be successful.

18. **Ms HO On-nei** cautioned that the sale of transfer blocks might be in conflict with other initiatives like the secondary market for HOS flats as the tenants would choose the flats that best suit their needs. She also considered the three year grace period too short and might lead to abuses.

19. **Mr NG Leung-sing** supported the 100% up take requirement. Even if a few flats were untaken, the Authority would still remain as the largest landlord of the block. As public fund was involved, the proposal not to recover the subsidy paid during the first three years should be reconsidered. He also wondered why the grace period was pitched at three years.

20. **Ms CHOW Kit-bing** supported the underlying principle of the proposal. She considered that the subsidy paid should be recovered upon resale of flats. She also considered that the Department should aim at achieving the 100% take up requirement by stages. To provide more incentive for those tenants who were not particularly keen to purchase, options like rent and buy scheme should be offered.

21. **Mr FUNG Kin-kee** considered that the 100% take up requirement should be strictly followed. Unless an entire block was taken up by CRP tenants, the block would not be offered for sale.

22. **Mr HAU Shui-pui** supported the spirit of the proposal. But in view of the various initiatives for home-ownership, the Department should work out a well coordinated overall implementation schedule and proceed cautiously and by stages. A block with mixed tenure was acceptable during initial years but efforts should be made later on to persuade the remaining tenants to buy their flats.

23. **Mr CHAN Yui-loon** reminded Members that the present proposals, which were formulated during the HOS Review undertaken early last year, were already endorsed by the Housing Authority and referred to the Housing Branch for consideration in the context of the LTHS review. **Mr FUNG Kin-kee** recalled, however, that the proposals were not endorsed by HA hence they were forwarded to the Housing Branch for consideration.

24. **Mr Marco WU** clarified that as the proposals under the HOS review represent important initiative to promote home ownership, the HA considered that they should be referred to the Housing Branch for incorporation in the LTHS Review to enable extensive public consultation. In the light of the public opinion, the Department would then work out the details of implementation. He added that the policy option which allowed non CRP tenants' access to untaken flats in the transfer block represents a compromise to minimize the management problem arising from the mixed tenure.

25. The **Chairman** agreed that while the proposals could be deemed to have been endorsed by the HA, all the views expressed in this meeting would again be referred to the Housing Branch for consideration. To sum up Members' response, he concluded that the proposals were generally reaffirmed by Members.

**(AGENDA Long Term Housing Strategy Review
Item 2) Expansion of 'Transfer Block' Scheme
(Paper Nos. HOC 23/97, MOC 37/97 and LTHS 5/97)**

26. **Mr H T FUNG** presented the paper.

27. **Mr FUNG Kin-kee** did not support the proposal as the present supply of public rental housing (PRH) already fell short of demand. He also urged the Housing Authority to clearly define its role - whether it should build flats for rental or for sale.

28. **Miss Rosanna WONG** asked Members to consider whether applicants for PRH should only be provided with new flats. Given that only flats not required for committed categories were offered for sale and that the PRH resources recovered would be allocated in turn for PRH applicants, there should not be any adverse effect on the waiting time of PRH applicants.

29. While the supply of PRH needed not be confined to new flats, **Mr LEE Wing-tat** cautioned that the community might find it unacceptable if most PRH applicants were only provided with refurbished flats. As more transfer blocks as well as HOS flats would be available, the better-off tenants would become more choosy resulting in a slow turnover of flats. In view of the unstable supply of refurbished flats, he considered that only by supply of new flats could a steady supply be maintained.

30. The **Chairman** agreed that supply of PRH should comprise both new and refurbished flats. With the existing buyers' market, the success of the scheme would depend on the attractiveness of the respective transfer blocks. The meeting should concentrate only on the general direction of the scheme, rather than the technical details.

31. Provided that the applicants on the Waiting List would not be adversely affected and that the basic principles governing the supply and demand of PRH would not be sacrificed, **Mr NG Shui-lai** supported the proposal.

32. The **Director of Housing** added that one of the objectives of the scheme was to provide one more choice to PRH tenants in addition to HOS flats and PRH flats.

33. **Ms SIU Yuen-sheung** supported the scheme as it would enhance the standard of living of the sitting tenants and provide refurbished flats for those in genuine need. To minimize the management problems arising from mixed tenure, qualified applicants on the Waiting List should be permitted to buy untaken flats in a transfer block.

34. While he considered the proposal acceptable, **Dr CHEUNG Bing-leung** reminded Members to consider carefully the outcome of the present initiative. Bearing in mind the role of the Authority, if the scheme was implemented successfully, the Authority would, in theory, only need to supply HOS flats as the released flats would then constitute the supply of PRH.

35. **Ms HO On-nei** supported the proposal but the ratio between PRH and HOS would need to be maintained.

36. **Mr HUI Yung-chung** also supported the proposal from a policy point of view. The expansion of Transfer Block Scheme did not necessarily imply the Authority would give up its commitments on provision of rental housing. However, the ratio between PRH and HOS as well as the respective demand would need to be under regular review.

37. **Mr Nicholas BROOKE** considered that the LTHS Review was at fault in its assumptions. The reality was that the supply had all along been falling behind the demand. Unless the Authority was confident of its ability to meet the demand as created, it should not raise false hope on the part of the sitting tenants.

38. **Mr Walter CHAN Kar-lok** supported the scheme as it was in line with the HOS review's recommendations for a multiple approach to promote home ownership among sitting tenants. Without affecting committed categories, the scheme was viable as it would only proceed on the basis of demand as ascertained by a survey.

39. **Mr MA Ching-yuk** noted that in the allocation of limited housing resources, the gain of one target group could only be achieved at the expense of the other. As the scheme would only involve Green Form

applicants, it had the least inherent conflict of interest between different groups. He therefore supported the proposal.

40. **Dr Rebecca CHIU** considered the supply of refurbished flats acceptable as long as they were of a good standard and there was in fact preference for used flats because of their price and location. However, she shared Dr CHEUNG Bing-leung's worry about public reaction if only refurbished flats were allocated to applicants on the Waiting List. She also considered it necessary for the scale of the scheme be properly outlined, e.g. whether the number of flats put on sale was equal to the difference between total supply and the number reserved for committed categories. The scale of the scheme would not only affect the outcome of the present initiative but also other initiatives for home ownership. She also wondered whether the scheme should be directed to those high income PRH tenants than the relatively low income tenants and prospective tenants as it would take time before the latter group was in a position to buy their own flats.

41. **Mr WONG Wah-keung** also supported the proposal on condition that it would not adversely affect the waiting time of the applicants on Waiting List.

42. **Mr WONG Kwun** was concerned about the outcome of the scheme as it might lead to the frozen of the number of PRH at the present level or a reduced supply of new PRH flats. As sitting tenants were already suitably accommodated, further allocation of limited housing resources to them as opposed to PRH applicants was not fair. He therefore did not support the expansion of the scheme and considered the present arrangements should be maintained.

43. **Mr Marco WU** said that as the existing PRH tenants were receiving subsidized housing, an outlet should be provided to increase their mobility. Far from affecting the applicants on the Waiting List, the scheme should, with increased mobility, generate more flats for allocation. There should be no question about the demand for HOS flats given the strong demand by the White Form applicants.

AD/AHO

44. The **Chairman** stated that the present proposal represented a recognition and an attempt to meet the demand for home ownership among existing tenants. It did not imply the suppression of supply of new PRH. With the general support expressed by Members, the Department would need to work out the details of implementation having regard to the concerns made.

**(AGENDA Long Term Housing Strategy Review
Item 3) Sale of Rental Flats to Public Housing Tenants**
(Paper Nos. HOC 21/97, MOC 32/97 and LTHS 3/97)

45. **Mr Y C CHENG** presented the paper.

46. While in general agreement with the various recommendations of the LTHS Review on home ownership, **Mr LUI Ping-keung** considered the proposal a hasty move. Unless all the crucial issues like the required take up rate and resale restrictions etc. had been addressed, tenants would not be convinced that it was a profitable investment in the long run.

47. **Mr CHENG Kai-nam** agreed that a fruitful discussion was not possible if essential details like land premium payable etc. were not available. Among other things, the replacement cost of the concerned flats had to be clarified; whether it was the current building cost of an equivalent flat based on the previous standard, the current building cost based on existing standard or historical building cost based on previous standard. He also found the various initiatives (sale of old PRH flats, increased supply of HOS flats and supply of good quality rental flats) in conflict with one another. A balanced approach with well defined priority had to be worked out. He also asked that consideration be given to a complete refurbishment of the flats concerned before sale as well as a specified period of warranty for maintenance after sale.

48. As the longer the debate on the issue, the more likely the target tenants would wait and see, **Mr LEE Wing-tat** considered that the Department should proceed decisively and with determination. In working out the sale price, its implications on the sale of HOS flats had to be weighed.

49. **Mr Anthony WONG Luen-kin** noted the many management problems arising from a mixed tenure situation, the many choices already available for GF applicants and the difficulty to work out a sale price mutually acceptable in the present buyers' market. He did not therefore support the proposal as it would tend to create more problems than it could resolve.

50. **Mr CHAN Bing-woon** supported the proposal. Through appropriate provisions in the Deed of Mutual Covenants (DMC), some of the problems on maintenance and redevelopment could be addressed. However, suitable training should be provided to the tenants so that they could manage their own building.

51. **Mr Nicholas BROOKE** considered that the Department should proceed with caution. The most significant consideration was to get the sale price right; one that was competitive and provided value for money. In setting the price, the saving arising from cessation of subsidized accommodation should be taken into account.

52. **Mr Walter CHAN** considered that the launch of the scheme should wait until all the technical problems had been addressed. He did not worry about the implications on the sale of HOS flats in the presence of strong demand from White Form applicants. He, however, was concerned that the scheme was contrary to the policy on rational allocation of resources which advocates the promotion of home ownership among better off PRH tenants by purchase of HOS flats. As the present market rent policy applied to flats of 10 - 12 years old, the apparent conflict with the proposed scheme could be eliminated if only flats of 5 to 10 years old were offered for sale. He was also concerned about the financial implications to the Authority for acquiring the land titles of the estates and for payment of associated Government Rent for unsold units. The basis of calculation and the amount involved had to be ascertained.

53. **Ms CHOW Kit-bing** supported the scheme as it would enable the tenants to make their first step in home ownership, provide an investment opportunity and effect saving from discontinued subsidy to better off tenants. The scheme would be more attractive if the Department could

consider extending the choice of flats to new PRH flats and existing vacant flats, setting the sale price on the basis of building cost plus interest, imposing less re-sale restrictions, permitting the payment of rent as mortgage repayment and putting aside part of the sale profit for the establishment of a Maintenance Fund.

54. **Ms SIU Yuen-sheung** welcomed the provision of one more choice to sitting tenants but considered that a pilot scheme was necessary. The flats put to sale must be relatively new and in any case had undergone a complete refurbishment. The repayment arrangement should be flexible and the amount of repayment in line with the existing rent.

55. **Dr Rebecca CHIU** noted that cost pricing was adopted in setting the sale price without reference to the target tenants' affordability and the effects on sale of HOS flats. While the new tenants could not afford to buy their relatively new flats, the better off tenants have little preference over their old flats. She wondered therefore whether the Department was meeting demand or creating demand. Furthermore, if the scheme was launched on a large scale, the prospects of a large secondary market would be undermined, the tenants would thus be frustrated and less mobile. Besides, the Authority would be in a difficult position in reconciling its interest with that of all owners in major repairs and redevelopment of the building. Lastly, the financial implications should be examined if the Authority was to provide mortgage to purchasers. To sum up, **Dr Rebecca CHIU** considered that the pros and cons of the scheme should be evaluated to ascertain whether it could effect rational utilization of resources and foster social stability.

56. **Ms HO On-nei** considered that the demand of sitting tenants would depend on the price, location, amount invested in the flat and the social contacts established. A price of \$0.5M - \$0.6M was acceptable. The repayment method should be flexible to provide for sudden change in ability to repay. The extent of rights and responsibilities of owners over redevelopment should be clearly spelt out.

57. **Mr FUNG Kin-kee** considered that a secondary market for PRH flats should be established within PRH tenants to facilitate mobility of flats. As regards redevelopment of building, the share of cost of individual owner should be based on his respective share of ownership in the building and the difference in value between the existing and the new flats.

58. **Mr MA Ching-yuk** considered that the scheme would need to be considered in depth as apparently its merits were more than outweighed by the problems it might entail. He had doubt if a mutually acceptable price could ever be worked out. He noted the problems of a mixed tenure and the difficulty to stipulate appropriate provision in the existing DMC of an old building.

59. **Mr HAU Shui-pui** stated that the scheme should be introduced selectively and by stages. To show its determination to make the scheme a success, the Government should work out a proposed DMC as basis for public consultation. The acceptance threshold should be 50%, the sale price \$1,000 per sq. ft of usable floor area and the monthly mortgage repayment below twice the existing rent.

60. The **Director of Housing** said that according to the 'replacement cost' approach as proposed in the LTHS Review, the price of a PRH flat would equal to 1/4 of the price of a comparable flat in private sector and the monthly mortgage payment would be \$4,700 as compared with the existing rent of \$1,200. The pricing for the scheme must be carefully considered in order not to affect the value of properties under the 'transfer block' scheme and the HOS. However, assistance could be rendered in the form of progressive repayment or mortgage subsidy. He had reservation over the suggestion to confine the secondary market to PRH tenants as this would only perpetuate a 'two classes' society. It was only fair for the proposed secondary market to operate in the same way as that for HOS flats.

61. **Mr Marco WU** clarified the basis of 'replacement cost'. It represented the current building cost for a replacement flat of the same design and standard with adjustments made to reflect depreciation, contribution to the Maintenance Fund and the relative value of estates, say, location. For a flat of 400 - 500 sq.ft in the extended urban area, the price would amount to half the price of a HOS flat or about \$0.6M. Details on

pricing proposals would be further discussed in a separate submission. Department would also consider the impact of the price level on value of HOS flats as well as how the scheme could reinforce and be compatible with the other initiatives on home ownership.

62. As there would not be any immediate gain for the purchasers apart from a change of status from tenants to owners, **Dr CHEUNG Bing-leung** considered that every detail of the package must be worked out carefully to make the scheme attractive. From a long term point of view, the scheme would reduce the burden of the Authority in provision of PRH, it might therefore worth considering the free allocation of flats to sitting tenants.

63. **Mr Marco WU** remarked that as the income generated would be utilized to build more PRH, the replacement cost was the minimum price for sale of a PRH flat.

64. **Mr WONG Kwun** also disagreed with the free allocation of flats as public funds are involved. While there would not be any improvement in standard of accommodation and the quality of life would in fact decline during the initial years of repayment, the tenants might still welcome the opportunity for home ownership in the face of high prices in the private property sector and the ever increasing rent. The price should be set on the basis of the replacement cost approach without provision for profit and disregarding its impact on HOS flats. On this basis, the price for a flat in the extended urban area should be \$800/ft. For tenants who were unwilling to purchase, they should not be relocated. To change their mind, they should be shown the cost and benefits analysis.

65. **Mr NG Shui-lai** had reservation over the scheme as there were no ready solution to the various inherent problems. The scheme would not contribute to the mobility of tenants nor fair distribution of resources. Although the scheme would enable tenants to make their first step in home ownership and reduce the burden of the Authority in funding and managing the estates, both objectives were in conflict with each other. If the price was set below cost, the Authority would suffer financially and if the price was set in strict accordance with the pricing formula, it might be beyond reach for many tenants. Moreover, there were always tenants who could not afford to buy their flats and why should they be compelled to do so? Besides, there

were already various initiatives on home ownership hence there was no immediate need for the introduction of the proposed scheme. Lastly, it might be irresponsible and would even contribute to future social unrest if tenants, who neither had the time nor expertise, were left to manage by themselves their own building.

66. **Mr WONG Wah-keung** stated that the success of the scheme would depend on whether the needs of the tenants could be met. He also doubted the likelihood for the tenants to trade up their flats which, being PRH flats, had limited potential for appreciation. The scheme was also incompatible with the Transfer Block Scheme. In view of the scheme's many inherent problems, it would be advisable to replace it with an expanded Transfer Block Scheme.

67. **Mr HUI Yung-chung** also expressed reservation over the scheme. He stressed that the Authority must not be so determined to make the scheme successful as to fix the price unrealistically low. At least, the replacement cost should be recovered. As the objective of the scheme was to provide a permanent home for the tenants, the resale condition should therefore be more stringent than that for HOS flats in order to prevent speculation.

68. **Mr NG Leung-sing** said that though the scheme was heading for the right direction, it had far too many problems in implementation. In particular, the scheme was unable to provide the right flat (new flat) for the right tenants (the better off tenants).

69. The **Chairman** shared Members' reservation over the scheme. The scheme might not be able to reduce the commitments of the Authority in the provision of PRH if after purchase of the flats, dependents of the sitting tenants were to queue for PRH again. Given limited housing resources, the sale of rental flats at a minimal price would not help resolve the problems of the Waiting List.

70. **Mr CHENG Kai-nam** stressed that the problem of ownership must be resolved before the demand was created and the scheme was launched.

71. **Mr Walter CHAN Kar-lok** considered that to be attractive, the scheme should represent an investment opportunity hence the resale conditions should be similar to that of HOS flats. The question about payment of land premium and refund of profit would need to be clarified.

72. **Mr Marco WU** informed that the Department was inclined to impose resale conditions, as well as requirement for payment of land premium, along the line of HOS secondary market. Because of the higher depreciation rate, the amount of premium would also be at a high level.

**(AGENDA Long Term Housing Strategy Review
Item 4) - Comprehensive Means Test for Public Housing
Beneficiaries**

(Paper Nos. HOC 19/97, MOC 30/97 and LTHS 1/97)

73. **Mr Y C CHENG** presented the paper.

74. **Mr FUNG Kin-kee** considered the existing means test adequate in assessing the financial capability of prospective/existing recipients of public housing assistance. Furthermore, it was not fair to include in the proposed comprehensive means test assets with fluctuating value like stock and shares and Funds. Moreover, Comprehensive Redevelopment Programme (CRP) tenants should not be subject to the proposed test. Apart from being existing PRH tenants, it was the Authority which had initiated the CRP hence the need for the means test. Even if they were found to have exceeded the prescribed limit, they should then pay 'market rent', but not to be compulsorily removed. He therefore did not support the proposal.

75. **Mr Anthony WONG Luen-kin** did not consider it fair to have uniform application of the proposed means test to both existing tenants and WL applicants. While existing tenants would be required to pay double or market rent if they exceeded the prescribed limits, the 'better off' applicants would become ineligible for PRH. He therefore considered that the proposed means test should be applicable to tenants who had been living in PRH for over ten years and the WL applicants should continue to be assessed by the existing means test. In the absence of proposed solution in

the LTHS Review to the problem relating to CRP tenants, he did not, on balance, support the proposal.

76. **Mr Walter CHAN Kar-lok** supported in principle the proposal because it was not an administrative measure to suppress the number of WL OR White Form applicants but rather a furtherance of the policy on Rational Allocation of Public Resources (SRA). However, the Authority would need to consider carefully whether tenants/applicants had to pass just one test or both tests before they were eligible for public housing assistance while he personally would prefer a more relaxed treatment for existing tenants. As regards the timing of application, he considered that the policy should be consistent and applicable to all tenants and applicants. But whether applicants who were about to be allocated PRH should be included would need further discussion. For HOS/PSPS applicants, he considered that only White Form applicants should be subject to the proposed test as there were currently no income limits for GF applicants and their exemption would enhance the mobility of sitting tenants.

77. The **Director of Housing** opined that the exemption of CRP tenants from the proposed test was both illogical and inconsistent with the SRA policy.

78. **Mr NG Leung-sing** supported the proposal as it was in line with SRA policy and hopefully it could strike a balance between different interests in society. He noted the need to conduct public consultation exercise and considered it crucial to secure public support by specifying the objective and ways of consultation.

79. **Ms SIU Yuen-sheung** also supported the proposal. She considered the CRP tenants should be subject to the proposed test while consideration might be given for the payment of removal allowance.

80. In response to Mr HO Hei-wah's enquiry on whether additional staff were required for the proposal, **Mr Y C CHENG** replied that the concerned Committee would be consulted on detailed proposals after the underlying principle had been endorsed.

81. **Dr Rebecca CHIU** found it difficult to form a view on the proposal. From SRA's point of view, the proposal was in order. But to what extent and for how long the scheme should be applied would need further thought.

82. **Mr Anthony WONG Luen-kin** considered that for consistency, the 'ten year' rule should also be applicable to the CRP tenants and GF applicants.

83. **Mr HUI Yung-chung** supported the principle of the proposal. He considered that GF applicants should be treated differently so as not to affect the supply of released flats.

84. **Mr WONG Kwun** did not support the proposal as it had not taken into consideration tenants who were given PRH because of Government's Clearance Policy. The proposal would challenge their eligibility for continued assistance yet restricting at the same time their outlet through HOS.

85. The **Chairman** considered that the proposed test should apply to all. However, instead of relocating those better off applicants to interim housing as proposed in the LTHS review, they should only be required to pay market rent. To subject dependents of a deceased tenant to the test would be inconsistent with the policy to encourage the dependents to live with their parents. Again, the better off dependents should only pay market rent.

86. Echoing the comments made by some Members regarding financial issues, **Mr R J AVON** made a brief point on the implications of all the papers discussed on the Authority finances. He stressed that Members should bear in mind the overall resource and financial implications including the financial viability, cost effectiveness and benefits of all the proposals discussed and also other LTHS papers impacting on the Authority's finances. While it was understandable that sometimes in discussing the fundamental housing issues the financial considerations and overall impact on the HA's resources and finances might not be always addressed, the key financial considerations would at some stage need to be comprehensively evaluated.

Action

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87. There being no other business, the meeting closed at 12:26 p.m.

CONFIRMED on

Mr CHAN Kam-man, JP
(Chairman)

Mr K L WONG
(Secretary)