

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee

Year-end Performance Review for Home Ownership Business in 1999/2000

PURPOSE

This paper presents the year-end review of the Home Ownership Business Plan for 1999/2000 covering Home Ownership Scheme (HOS), Private Sector Participation Scheme (PSPS), Mortgage Subsidy Scheme (MSS), Home Purchase Loan Scheme (HPLS), Secondary Market Scheme (SMS), Tenants Purchase Scheme (TPS) and Buy or Rent Option (BRO).

BACKGROUND

2. As part of the corporate planning process, Business Directors will draw up business plans in respect of their core business for endorsement by the relevant business committees. This is to ensure that a coherent and effective set of policies and programmes can be put in place to achieve the Housing Authority's strategic objectives. The 1999/2000 business plan on the Home Ownership Business was approved by Members in November 1998 vide Paper No. HOC 69/98. Members were informed in November 1999 vide Paper No. HOC 94/99 of the mid-term progress in implementing the key initiatives set out in the 1999/2000 business plan. This paper reports our overall performance in that year.

PERFORMANCE REVIEW

3. Satisfactory achievement has been seen in implementing the new initiatives for the home ownership business. A summary of the overall performance of the Business initiatives is tabled below –

	Total no. of initiatives committed	Status of Committed Initiatives		
		Action Completed	On Schedule	Behind Schedule
Business / Service Plan	22	15	4	3

4. A brief review of the past year's performance is as follows –

HOS/PSPS

5. During the year, the Home Ownership business was operating in a volatile environment while the overall economy has not yet fully recovered. The response to our sales programme has dropped. This was attributed to the sluggish property market as well as quality and structural issues in a few HOS projects. We have sold 23,125 flats (17,687 new flats and 5,438 re-sale flats) under the HOS/PSPS. Among the successful purchasers, 2,923 families (2,543 Green Form (GF) and 380 White Form (WF)) or 13% have benefited from the priority scheme for families with elderly members.

6. Upon the amendment of the Schedule to the Housing Ordinance effective from 1 June 1999, the resale restrictions for HOS/PSPS flats have been shortened from ten years to five years, with the initial restriction period reduced from three years to two years. The relaxation, which is aimed to align the resale restrictions of HOS/PSPS flats with those of the flats sold under the TPS, will help to increase mobility of flats both in the open market and secondary market. As a result of the amendment of the Ordinance, some additional 80,000 HOS/PSPS flats were made available for sale in the open market after payment of premium.

7. To facilitate the integration of new arrivals into the society, the residence requirement for HOS WF applicants has been relaxed. With effect from HOS Phase 21B, WF applicants are only required to have lived in Hong Kong for not less than seven years and their stay in Hong Kong is unconditional. Other members of the family in the same application are no longer required to meet the residence requirement.

8. WF applications from single persons have been accepted for HOS/PSPS effective from HOS Phase 21B. All singleton applicants are allowed to buy a small flat when their normal turn is due. If they want to buy a flat up to 50m² SA i.e. a 2-bedroom flat, their selection priority is placed after the family households. In HOS Phase 21B, 11,710 singleton applications (438 GF and 11,272 WF) have been received; of them 847 were successful in purchasing a flat.

MSS

9. With a view to assisting tenants affected by Comprehensive Redevelopment Programme and eligible households affected by Cottage Area Clearance Exercise to purchase flats under HOS, the affected households are offered a mortgage subsidy up to \$162,000 over six years from HOS Phase 20A onwards. A half rate will be given to the single-person households or two-person households purchasing a small flat. Up to 31 March 2000, a total of 1,009 families are in receipt of the mortgage subsidies.

HPLS

10. The quota for the HPLS has been reviewed and set at 4,500 for the period from 1 August 1999 to 31 March 2000. Up to 31 March 2000, a total of 7,483 applications were received. Of these, 6,649 approval-in-principle (AIPs) were issued and 4,634 loans/subsidies were granted. There are still 2,566 applicants holding valid AIPs. About 85% of the loan recipients under the HPLS opted for the higher loan amounts of \$800,000 or \$500,000. The new policy initiative of allowing GF applicants to make use of the HPLS to purchase HOS/PSPS flats in the Secondary Market has also made the Scheme more attractive. More than 2,000 or 53% of the total successful GF applicants purchased HOS/PSPS flats in the Secondary Market.

SMS

11. As a result of the relaxation of resale restriction from three years to two years implemented from 1 June 1999, more GF applicants can use the enhanced HPLS option approved in August 1998 to purchase HOS flats under SMS. Over 70% of the transactions in the secondary market were made with the loan facilities under the loan scheme. From April 1999 to March 2000, 4,656 Certificates of Eligibility to Purchase have been issued to eligible purchasers and 6,030 Certificates of Availability for Sale issued to eligible owners who can put

up their properties for sale under the SMS. A total of 3,524 Letters of Nomination have been issued. There was a significant increase in the number of transaction from 2,447 in 1998/1999 to 3,495 in 1999/2000. Since operation of the scheme up to March 2000, 5,935 Public Rental Housing (PRH) flats have been recovered for allocation to needy families.

TPS

12. The second batch of 27,161 flats was put up for sale in March 1999, and 67.5% of eligible households have made their offer to buy by end March 2000. As for TPS Phase 3, 27,415 flats were offered for sale in January 2000 and 87% of the tenants involved had indicated their interest in buying. As at end March 2000, over 15% of the tenants have offered to buy their flats.

BRO

13. The first phase of BRO was launched in June 1999. Under this new scheme, prospective PRH tenants may opt for buying a flat at the outright. Same as MSS, eligible family applicants are granted a monthly mortgage subsidy up to \$162,000 over six years while the amount for singleton applicants is half of that of family applicants. Out of 2,078 new flats put up for sale in Phase 1, 1,097 were sold.

Special Arrangements for Purchasers of Flats in Tin Chung Court Phase I

14. To address the uneven ground settlement in Phase 1 of Tin Chung Court, an in-depth investigation on the structural stability of the Court was conducted by an independent structural consultant and the Department respectively. Subsequent remedial works for the affected blocks were also arranged. In order to address the concerns of the affected purchasers and to observe the Agreement of Sale and Purchase (ASP), special arrangements by giving three options to the purchasers were given -

- (a) to proceed with the sale with payment of interests in accordance with the ASP and price guarantee; or
- (b) to rescind the contract with refund of deposits and interests in accordance with the ASP together with top priority to buy another flat in the following phase; or

- (c) to rescind with the said refund but reinstated other public housing applications after rescission.

Sales of Flats in Tin Fu Court

15. Following the Preventive Foundation Enhancement Programme in December 1999 to review the adequacy of the foundations of all housing blocks under construction involving 105 projects, assessment revealed that preventive works for some blocks of Tin Fu Court might be required. To address concerns of individual purchasers, requests for rescission without forfeiture of deposits would be given and to be dealt with on a case-by-case basis.

16. Brief report on the performance of individual Business initiatives is shown at **Annex**.

17. Outcome of key performance indicators (KPIs) for the business is indicated below –

KPIs	Targets	Position as at 31.3.2000
(1) HOS		
(a) Number of flats offered for sale under the HOS	20,000 10	14,600 (Note 1) 9 (Note 2)
(b) Number of HOS land grants processed	4,500	3,811 (Note 3)
(c) Number of premium assessment cases processed		
(2) PSPS		
(a) Number of PSPS flats offered for sale	4,500	3,000 (Note 4)
(b) Number of PSPS tenders processed	10	6 (Note 5)
(3) MSS		
(a) Number of flats offered for sale with MSS payment	3,000	2,700 (Note 6)

(4) TPS		
(a) Number of PRH flats offered for sale under the TPS	No less than 25,000	27,400
(5) Agency Management		
(a) Number of OCs formed in new HOS estates	7	5 (Note 7)
(b) Number of pre-18A HOS estates handed over for self-management	21	21
(6) Financial		
(a) Total operating surplus for 1999/2000	\$9,700 million	\$9,137* million (Note 8)
(b) Total HPLS loan payments in 1999/2000	\$5,244 million	\$5,642 million (Note 9)
(c) Total HPLS loan repayment in 1999/2000	\$700 million	\$945 million (Note 10)

Note 1 : The reduction in the number of flats sold is mainly due to the slippage of the sales programme for Phase 21C to Phase 22A.

Note 2 : The land grant for one proposed MSS project was not processed owing to the change of this project from MSS to rental.

Note 3 : The relatively low number of premium applications was largely owing to the sluggish property market in the period concerned.

Note 4 : 3,000 PSPS flats (Rhythm Garden) were offered for sale under HOS Phase 21B in the year 1999/2000. Slippage in the year 1999/2000 was mainly due to the delay in construction of Broadview Court (1,540 flats). As such, the sale of this project was deferred from 1999/2000 to 2000/2001.

Note 5 : A total of 6 tenders were processed in the year based on the 1999/2000 PSPS Tender Programme announced by the Government. They are Hung Hom Bay Reclamation Area, Tseung Kwan O Area 65B, King Tung Street, Tin Shui Wai Reserve Zone Area 111, Kwai Lok THA and Tsing On THA. For Tseung Kwan O Area 65B, the Government decided not to award the tender although it had been processed.

Note 6 : The difference was due to the conversion of 2 MSS projects, Hing Wah Phase 1 (754 flats) and Upper Wong Tai Sin Phase 1 (779 flats) to rental so as to meet the rehousing demand of CRP tenants.

Note 7 : The 2 outstanding courts are Kwun Fai and Kwong Ming. For Kwun Fai Court, the 12-month statutory OC formation period will expire in June 2000. For Kwong Ming Court, the formation of OC was withheld because of non-compliance of the Land Registry's requirement on the appointment of Owners Committee prior to the formation of OC.

Note 8 : The lower operating surplus was mainly attributed to the delay in completion of Tung Shing Court and Kwun Hei Court, the transfer of Hing Tsui Court to rental estate and the lower alienation premium received.

Note 9 : The increase was mainly due to the transfer of 1,000 HPLS loan quota from White Form applicants to Green Form applicants.

Note 10 : The higher repayments were mainly due to more early full redemptions and partial lump sum repayments during the year.

* Provisional actual subject to audit

FINANCIAL PERFORMANCE

Comparison with Approved Budget

18. The provisional actual operating surplus for the Home Ownership business was estimated at \$9,137 million, achieving 89% of the yearly Revised Budget of \$10,272 million. The total income was estimated at \$22,883 million, representing 85% of the full year's Revised Budget of \$26,776 million. The below budget performance in income was mainly due to the delay in completion of HOS courts (Tung Shing Court and Kwun Hei Court) and the transfer of Hing Tsui Court as rental estate. This was coupled with the lower alienation premium income from HOS/PSPS flats because of the drop in the average amount of premium received per case. On the total expenditure, they were estimated at 83% of the Revised Budget. The lower expenditure was mainly due to the delay in completion of HOS Courts. The approval of the HPLS quota of 4,500 vide HOC Paper No. 62/99 in July 1999 was in line with the Revised Budget 1999/2000.

Comparison with Last Year

19. The provisional actual operating surplus for the total Home Ownership business was 58% of last year's surplus of \$15,873 million. The total income in 1999/2000 was estimated at 102% of last year's \$22,513 million, whilst total expenditure was 207% of last year's of \$6,640 million. This was mainly due to more HOS flats were sold than PSPS flats.

20. A comparison with last year's performance and the provisional yearly actual for 1999/2000 is summarised as follows -

Home Ownership Operating Account (\$ million)

	1998/99 Yearly Actual \$	1999/00 Provisional Actual \$	1999/00 Revised Budget \$	1999/00 Approved Budget \$
Income	22,513	22,883	26,776	27,781

Expenditure	6,640	13,746	16,504	17,620
Operating Surplus	15,873	9,137	10,272	10,161

Loss Arising from the Delay in Completion of Tin Chung Court Phase 1

21. Following the discovery of the uneven ground settlement in Block L of the Tin Chung Court Phase 1 and the authority obtained via HOC Paper No. HOC 84/99 to allow all the purchasers of the six blocks in the Tin Chung Court Phase 1 (namely Block F, G, H, J, K & L) to rescind, deposits amounting to \$118.7 million had been refunded together with the interest payment of \$9.3 million. Basing on the latest anticipated completion dates of these blocks, there will also be a deferment of cash-inflow of \$1,432.2 million in respect of the rescission sale of these blocks together with interest foregone thereon estimated at about \$129.2 million. For those flats which the purchasers had chosen to continue the purchase and wait for completion, the delay in completion would have a cash flow impact of \$112.2 million in respect of the balance of purchase money and interest foregone thereon estimated at \$6.7 million.

INFORMATION

22. This paper is issued for Members' information. If Members so wish, it can be discussed at the next meeting of the Home Ownership Committee.

---0---0---0---

Mr Paul WAN
Secretary, Home Ownership Committee
Tel. No. : 2761 5035
Fax No. : 2761 0019

File Ref. : HD/AHO/M/13/1

Date : 1 August 2000