

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee

Year-end Performance Review for Home Ownership Business in 1998/99

PURPOSE

This paper presents the year-end review of the Home Ownership Business Plan for 1998/99 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 1998/99 business plan on the Home Ownership Business was approved by Members in November 1997 vide Paper No. HOC 74/97. Members were informed in November 1998 vide Paper No. HOC 70/98 of the mid-term progress in implementing the key initiatives set out in the 1998/99 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. Of the 28 new initiatives –

- **twelve** have been completed;
- **fifteen** are on schedule; and
- **one** is behind schedule.

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

HOS/PSPS

5. During the year, 30,914 flats (22,576 new flats and 8,338 resale flats) were put up for sale in three sale exercises under the HOS and PSPS. For HOS Phase 19C and 20A a total of 120,085 applications (42,817 Green Form (GF) and 77,268 White Form (WF)) were received, representing an overall subscription rate of 7 (4 for GF and 13 for WF). The slippage in the year was mainly due to delay in the sale of HOS Phase 19C flats which was caused by the time taken to agree on the maintenance responsibility of slope adjacent to Cheong Shing Court in Fanling.

6. There was a slippage to the original planned PSPS flat production due to the failure to tender out the PSPS site at Hung Hom Bay (2,450 flats) as all the shortlisted tenderers withdrew their tenders in January 1998. The tender exercise was withheld as a result of the Government's announcement of a moratorium on land sales including PSPS sites for a period of nine months in June 1998.

7. As a result of the slow down in the economy and the decline in property prices since early 1998, 6,727 applications for rescission were received during the year 1998/99.

MSS

8. The pilot scheme of the MSS was implemented in September 1998. Flats in Kwun Fai Court were sold to tenants affected by Comprehensive Redevelopment Programme (CRP). The sale of flats in Kwun Fai Court under the pilot scheme of the MSS was completed in December 1998. Out of 299 flats, 144 flats were sold. The remaining 155 flats were sold in Phase 20A. 139 purchasers applied for the mortgage subsidy under the pilot scheme.

9. With a view to assisting tenants affected by CRP and eligible cottage area households affected by Cottage Area Clearance Exercise to purchase flats under HOS, these categories of applicants can also apply for the mortgage subsidy under the MSS to finance the purchase of HOS flats from Phase 20A onwards. 743 purchasers of HOS Phase 20A applied for the mortgage subsidy.

HPLS

10. The response for the enhanced HPLS has been encouraging. During the year, 24,427 applications were received which is the highest figure recorded since the implementation of the scheme. Of which, 14,417 approval-in-principle letters were issued and 6,591 loans/subsidies were granted. The new flexible loan options and the new policy initiative of allowing GF applicants to make use of the HPLS to purchase properties under SMS have also proved to be attractive to the HPLS applicants. About 80.75% of the loan recipients have opted for the higher loan amounts of \$800,000 or \$500,000 and 39.43% of the total successful GF applicants have purchased SMS flats.

SMS

11. The enhanced HPLS allows GF applicants to make use of HPLS for the purpose of purchasing HOS/PSPS flats in the secondary market with effect from 23 July 1998. The enhanced HPLS has brought about an abrupt increase of applications under the SMS. During the year, a total of 3,895 applications for purchase, 3,626 applications for sale and 2,466 transactions were recorded. Among the 2,466 transactions, there were 1,882 cases using the Home Purchase Loan to purchase secondary market HOS flats. Review of the SMS will be conducted in mid 1999 when the effect of the enhanced HPLS on the SMS is known.

TPS

12. Phase 1 of the TPS proved to be very popular with 19,800 (74%) flats assigned by the end of the financial year. Phase 2 (27,161 flats) was rolled out in March 1999 and early indications are that flats will be equally popular.

BRO

13. The Housing Authority approved the BRO in March 1999 under which applicants for public housing and other target groups nearing allocation may choose to buy with the aid of a mortgage subsidy, at the same level as that approved in mid-1998 for redevelopment clearerees applying for HOS. Planning is in hand for a Phase 1 launch in June 1999.

14. A brief report on the progress/achievements on our initiatives is at the **Annex**.

FINANCIAL PERFORMANCE

Comparison with Last Year

15. The provisional actual operating surplus for the Home Ownership business was estimated at \$16,430 million, achieving 142% of last year's surplus of \$11,602 million. The total income in 1998/99 was estimated at \$22,602 million, \$4,331million or 24% higher than last year of \$18,271 million. The increase in income was mainly due to the launching of TPS and more PSPS flats were completed in the year, offset partly by the lower HOS flats completed in the year and the sharp drop in alienation premium income from HOS/PSPS flats because of the stagnant property market. On the total expenditure, they were estimated at 93% of the last year of \$6,669 million. The small decrease was mainly due to the smaller number of HOS flats completed in the year resulting in lower construction and land formation costs which were offset partly by the launching of TPS.

16. Following the approval of increase in the HPLS quota from 4,500 to 10,000 vide Paper No. HOC 49/98 in July 1998, approvals-in-principal were all issued and estimated loan/subsidy payments amounting to \$3.9 billion were paid in 1998/99.

Comparison with Revised Budget

17. The provisional actual operating surplus of the Home Ownership Business was estimated at 107% of the 1998/99 Revised Budget of \$15,306 million. The estimated total income in 1998/99 achieved 100% of the Revised Budget. This was achieved through better take-up rate (74% vs. 67%) of TPS

flats and the successful sales and completion of scheduled PSPS flats, offset partly by the delay in the completion of Yuet Chui Court of Phase 19A and the lower alienation premium income. Expenditure was estimated at 85% of the Revised Budget as a result of the delay in the completion of an HOS court and the lower spending on buyback of HOS/PSPS flats.

18. A comparison with last year's performance and the provisional yearly actual for 1998/99 is summarised as follows -

Home Ownership Operating Account Budgets (\$million)

	1997/98 Yearly Actual	1998/99 Provisional Actual	1998/99 Revised Budget	1998/99 Approved Budget
Income	18,271.1	22,601.5	22,588.0	22,691.5
Expenditure	6,669.0	6,171.5	7,282.1	3,281.6
Operating Surplus	11,602.1	16,430.0	15,305.9	19,409.9

INFORMATION

19. This paper is issued for Members' information. If Members so wish, it can be discussed at the next meeting of the Home Ownership Committee on 29 July 1999.

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