THE HONG KONG HOUSING AUTHORITY

Memorandum for the Management and Operations Committee

Long Term Housing Strategy Review

Allocation System for Public Rental Housing

PURPOSE

This paper informs Members of the present allocation system for public rental housing (PRH) and seeks their views on possible ways to minimize the pre-emption of PRH supply by committed categories.

BACKGROUND

2. Over the years, annual quota has been set aside under the PRH allocation system to meet the demand from the committed categories arising from Comprehensive Redevelopment Programme (CRP), temporary housing clearance (THC) and squatter clearance (SC). For 1996/97, a total of 38,650 flats will be allocated to various rehousing categories including committed categories, as detailed in Annex A.

3. An analysis of the vacancy position of rental flats available for allocation as at the end of last quarter (31.12.96) is shown in Annex B. The existence of a long vacancy period of the flats reserved to meet the demand of committed categories is due to the following reasons -

(a) **Supply of New Flats for Advance Allocation Scheme**

On 11 May 1996, Members endorsed vide MOC Paper 30/96, a proposal to extend the Advance Allocation Scheme (AAS) to all CRP operations to be announced in the future and to those on-going CRP operations where the major reception estates have not been completed. During this transitional period, some CRP on-going operations would adopt the AAS, where one of their reception estates has been taken over and ready for letting
while the major reception estates will be completed at a later stage. This being the case, a temporary reservation of one to two thousand vacant flats for a few months for some on-going CRP operations will exist. The situation has improved since the full implementation of the AAS to CRP operations.

(b) **Postponement of Clearance Operations**

Flats reserved for Development Clearances (DCs) and Non-development Clearances (NDCs) may not tie in with the flat completion dates because the DCs may have been postponed by the Client Departments for various reasons e.g. delay in land resumption or objection by concerned landowners. In some special clearance operations, such as clearance of Tiu Keng Leng Cottage Area, flats had to be reserved in the reception estate for a longer period for political and operational reasons. Since the postponement of clearance is beyond our control, there is a need to reserve a certain number of flats on operational grounds. However, no time limit is imposed on the client departments for them to confirm development clearance and therefore, on some occasions, flats have to be reserved for a long period.

(c) **High Refusal Rate**

The affected households of committed categories are very choosy in accepting the rehousing offers and are often reluctant to accept refurbished flats. Records show that the average refusal rate in respect of committed categories is very high (CRP 42%, THC 58% and SC 64%). Offers have repeatedly been rejected by the CRP/clearance households, resulting in longer vacancy period of flats. This situation has improved since the implementation of AAS.
(d) **Anticipation of Insufficient Resources for Announced Operation**

A sufficient number of flats have to be identified or reserved to meet the operational needs if insufficient resources are anticipated for announced CRP/clearance operations, e.g. some flats have to be unavoidably reserved for a certain period of time, awaiting completion of the main reception estate(s) before forming a pool for implementation of AAS as approved vide MOC Paper 30/96 whereby an extra 10% of flats on top of the total number of households involved has to be added for flat selection.

**LONG TERM HOUSING STRATEGY REVIEW PROPOSAL**

4. In the Long Term Housing Strategy (LTHS) Review consultative document published in January 1997, it is considered important that we should minimize the pre-emption of available PRH supply by committed categories. In response to the LTHS Review, the Department has identified three possible ways to minimize the pre-emption of PRH supply by committed categories which will then help to increase the supply of PRH flats available for re-allocation to those who are in genuine need.

(A) **Implementation of AAS in CRP/THC/SC Operations**

5. We may consider removing the requirement to provide an exact 10% extra new and refurbished flats over the actual demand (endorsed vide MOC Paper 30/96) so as to form a pool of flats to make up a reservation of 110% for implementation of AAS. This would allow the Department the flexibility to reduce the extra number of flats to be reserved. The self-flat selection process will be arranged before physical completion of new blocks and the affected households will be allowed to select their flats according to priority lists drawn in an open ballot.
6. By implementing the AAS, the problem of reserving vacant new flats for committed categories for a long period would be resolved as the new flats are let before their completion. It will also increase revenue from the advance letting of new flats. However, some extra number of refurbished flats would still have to be reserved for a certain period of time in order to implement AAS.

(B) Release of Surplus Flats Reserved for Committed Categories to Other Rehousing Categories

7. Subject to availability of resources, the Flat Allocation Co-ordination Committee (FACC) will continue to monitor the housing supply and the actual requirements for committed categories monthly. Flats not taken up by committed categories after a period of six months may be considered for release to other rehousing categories for early allocation. The annual flat allocation quota for the committed categories is around 22,000. It is expected that about 900 flats (4%) of this quota cannot be let at the end of six months from completion of construction/refurbishment because of their being repeatedly refused or pooled in succeeding flat selection exercise under AAS. Rental loss of this unavoidable situation is around $9.18M. Basically, it takes time to let new flats completed in large batches at one time.

8. The FACC monitoring system will minimize the pre-emption of housing supply by committed categories and thus increase the PRH flats available for re-allocation to those who are in genuine need. However, the reduction of surplus flats reserved may affect the smooth implementation of AAS and increase the refusal rate of the affected households. This may also defer the target completion date of redevelopment/clearance operations resulting in delay in the hand-over of the vacated sites for development or construction of new blocks or estates.

(C) Early Confirmation of Development Clearance by the Client Department

9. The client department could be required to confirm DCs within a period of six months before the announcement of clearance; otherwise, the flats reserved for such operations would be used for other rehousing categories.
10. Under this proposal, the number of flats reserved for DCs could be reduced, thus increasing the supply of flats available for other rehousing categories. However, the client department may not be able to confirm DCs within a 6-month period as proposed for various reasons such as staff or funding constraints and their project completion dates may be deferred as a result.

DISCUSSION

11. At the next meeting of the Management and Operations Committee to be held on 27 March 1997, Members will be asked to note the present allocation priorities for PRH and comment on the possible ways to minimize the pre-emption of PRH supply by committed categories.

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