

Press release
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Revitalising public housing policies: Shortening PRH waiting time and facilitating home ownership

The Bauhinia Foundation Research Centre (the Centre) released a study on 'Review of Hong Kong public housing resources: Better utilisation of resources, better home for all' today. The report explores how to optimise the available public housing resources and suggests ways to better address housing needs of Hongkongers.

The prices and rents of private domestic units in Hong Kong have skyrocketed in recent years, far exceeding the affordability of the general public. For grassroots families, public rental housing (PRH) is perhaps considered as the only way-out for proper sheltering. However, an increasing number of PRH applications, as well as the lengthening waiting time, force a notable number of eligible PRH applicants to dwell in subdivided units with high rents. The Government has been making substantial efforts to increase affordable housing supply, however supply is yet to meet demand - this housing predicament may not be resolved shortly.

The Centre's Vice-chairman and Convenor of the study Mr Lau Ming-wai said, 'The first thing to do is use existing public housing resources effectively, addressing the housing needs of the low-income groups. Incentives should be provided in parallel to encourage PRH tenants in better economic conditions to buy their own homes. This will help release PRH units to eligible applicants on the waiting list, and ensure resources are allocated to those in genuine need.'

To ensure public housing resources are used in the most effective way, and accommodate eligible applicants awaiting PRH as a priority, the Centre proposes recommendations after examining the existing public housing policy and the effectiveness of related measures, the major four are as follows:

1. Launching the PRH Swap Scheme to release flats earmarked for transfer schemes

The Housing Authority (HA) provides various transfer schemes and reserves some PRH units for tenants who need to transfer to another flat due to changes in circumstances. However, the existing schemes cannot catch up with the PRH tenants' needs for flat transfer, given the acute shortage of PRH units for allocation and the numerous conditions to be fulfilled by applicants. Besides, reserving PRH units for transfer schemes would reduce the number of flats available for allocation, which in turn would prolong the waiting time for PRH units.

The Centre recommends implementing the PRH Swap Scheme, allowing PRH tenants to apply and swap their flats with other tenants through an online platform. The existing transfer schemes could be merged with the PRH Swap Scheme. The Housing Department will then make matching arrangements based on the applicants' transfer reasons, with priority accorded to applicants with more urgent needs.

Through the matching platform, applicants can have more transfer choices and higher chances of successful transfer to flats meeting their preferences. Moreover, the units earmarked for transfer schemes can be released to expedite flat allocation to PRH applicants, thus shortening the waiting time for PRH units.

At present, there are about 760,000 families living in PRH units. Assuming that 1% of the tenants in need succeeded in swapping every year, the number of beneficiary households would reach 7,600. If the PRH Swap Scheme could reduce half of the flats earmarked for transfer schemes, 3,000 more PRH flats could be released to applicants awaiting for PRH allocation. This scheme allows greater flexibility and possibility in flat transfer.

2. Facilitating home ownership of PRH tenants through offering flexible HOS discount to Green Form applicants

Currently, applicants eligible for PRH allocation and PRH tenants can buy Home Ownership Scheme (HOS) flats through Green Form (GF) application. As the price of HOS flats is linked to private domestic units, the repeated new highs of property prices make it more and more difficult for PRH tenants to purchase HOS flats under the current price-setting mechanism. In response, the Government launched the 'Green Form Subsidised Home Ownership Pilot Scheme' (GSH) in 2015, which provides a higher discount than HOS for GF applicants (mainly PRH tenants). However, the sale of GSH flats would reduce the number of PRH units and affect the waiting time for PRH allocation.

The Centre suggests amalgamating GSH with HOS, which would provide a multiple-tier pricing arrangement, enabling GF applicants to purchase HOS according to their affordability. GF applicants with lower income and asset can enjoy a higher discount to purchase HOS flats. This flexibility not only helps GF applicants achieve home ownership, but also reallocates PRH units to applicants on the waiting list based on 'one-for-one' concept, speeding up the circulation of PRH flats.

3. Enabling HA to recover subsidies by lifting restrictions on leasing subsidised flats with unpaid premium

About 83% of HOS flats, or 270,000 units, were with unpaid premium, according to the end-March 2016 data. Under the existing regulations, subsidised sale flats (SSF) owners

are not allowed to let, sell or assign the flats in the open market before clearing the assessed premium. The flats cannot be let even left idle owing to the alienation restrictions and the Government can hardly recover housing subsidies.

The Centre suggests the Government lifting restrictions on leasing subsidised flats with unpaid premium to allow owners to let their flats, provided that they share the rental income with HA in proportion to the outstanding premium payable to HA. Under this proposal, an HOS owner who bought a flat at 30% discount with unpaid land premium can lease her/his unit. If the unit is rented out for HK\$10,000 per month, s/he is required to pay HK\$3,000 to HA monthly. The actual monthly rent receivable by the HOS owner is HK\$7,000.

Considering the record-high number of PRH applications and the lengthening waiting time, the Centre suggests HA subsidising eligible tenants the rent receivable to rent HOS flats from owners with unpaid land premium. HA can then help ease the financial burden of long awaiting eligible PRH applicants as they can enjoy a relatively lower rent.

Apart from allowing HOS owners to rent out their flats and generate rental income, this recommendation also widens the choice for tenants, easing the upward pressure on rents. At the same time, HA can ease its financial difficulty with rent receivable borne by HOS flats with unpaid premium. In brief, the suggestion creates a win-win situation for owners, tenants and the Government.

4. Allowing SSF owners to pay land premium by instalments to speed up the recovery of housing subsidies of the Government

As the premium assessment is based on the market price, HOS owners may find it difficult to pay the entire premium in one go amid high property prices. Without getting back the outstanding land premium, HA can hardly reduce its financial burden, which may affect financing for building more public housing. To facilitate HA in retrieving housing subsidies for better resources allocation, the Centre suggests improving the existing premium payment arrangement.

The Centre recommends the Government to allow SSF owners to pay land premium by instalments at the market value. Providing incentives to SSF owners may make them more willing to settle the land premium. In this regard, the Government may further provide a time-limited cap on the repayment, e.g. 10 years, which allows owners to pay the premium at the value once the premium assessment is confirmed or at the market value in later instalments. This arrangement will be inapplicable to owners who cannot settle the premium repayment in full within the said period. They will then be required to pay the land premium according to the market value at that point.

This recommendation not only brings greater financial flexibility to flat owners having premium unpaid, but also helps defreeze the market value of the properties, allowing HA to inject subsidies reclaimed into the future development of public housing. In the long run, it facilitates the circulation of flats with paid premium in the open market.

Assuming that one-tenth of the owners of HOS flats, each would pay \$1 million land premium in the next 20 years, HA would get back about an additional \$1.3 billion per year - about the amount of the alienation premium of the Home Ownership income in the 2015/16 financial year.

'We hope our recommendations can help shorten the waiting time of PRH, enabling the Government to achieve the target of providing homes to eligible PRH applicants at around three years. The city's housing issues are closely related to land supply and planning, environment, transportation and the provision of community facilities, etc. The Government should actively consult relevant stakeholders in society and balance different views in order to take better care of people's housing needs,' Mr Lau concluded.

More information about the simulation platform for PRH Swap Scheme and study report is available at our mini-site (<http://hra.bauhinia.org>).

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