

Public Housing in Hong Kong
Past, Present and Future

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Content

- a) Introduction
- b) From 1950 to 1970
- c) From 1970 to 1985
- d) From 1985 to 2000
- e) The 21st Century
- f) The Way Ahead
- g) Conclusion

Introduction

Hong Kong is situated at the southern gateway of China of size around 1,104 sq. Km and has population around 7M. It is one of most important economic and financial centre in Asia and serves as a link between China and the western world. Currently, there are 650,000 public rental flats in Hong Kong Housing Authority's portfolio, housing approximately 2M people which are about one-third of the population of Hong Kong.

The development of public housing in Hong Kong can be traced back to 1953 when a large fire broke out in one of the squatter areas, Shek Kip Mei, leading to 50,000 people homeless. As a result, Hong Kong Government carried out a massive Resettlement Program to house the homeless. By 1973, around 1.8M people lived in public housing. Follow the steps of industrialization and the improvement of the economy, Hong Kong Government gradually upgraded the living standard and environment of the citizens. Various schemes had been formulated to assist the people to purchase their own flat so as to minimize the demand on public housing and to rationalize the use of public resources.

In 2000, the Government conducted a review on the Institutional Framework for Public Housing. The result of the review clearly defined the direction of the development of Public Housing in the 21st Century. This paper aims to give an overview on the development of public housing in Hong Kong during the past 50 years and to give an account on its future development.

From 1950 to 1970

Follow the influx of the refugees from Mainland China in the 1930's, the population of Hong Kong increased sharply. Some 100,000 refugees were estimated to have been entered in Hong Kong in 1937 and 500,000 in 1939 – binging Hong Kong's population at the outbreak of World War II to an estimated 1.6 Million. Due to lack of housing for the refugees, people had to pay a high price for a bed space in the urban area. Those who could not afford to pay the rent had to take shelter in their own huts. In early 1950, a number of fires broke out in the squatter areas leading to thousands of homeless. The fire broke out on the Christmas day in 1953 in Shek Kip Mei was regarded as the most serious disaster where more than 50,000 people lost their home.

Resettlement Buildings

To accommodate the fire victims, Government set up a provisional Resettlement Department and constructed eight six-storey resettlement buildings at the scene of fire. The design of the building was H shape and the size of each room was 120 sq. ft, each for five adults. The living space of each adult was 24 sq ft and the rental was \$14 per month. In these buildings, no electricity and water supply was provided inside the room and only communal bath rooms, water standby pipes and flush latrines were provided. To best use of land resource, starting from 1965, the height of the resettlement building was raised, in general, to 16 storeys high and private lavatory was built in the balcony of the flat.

Hong Kong Housing Authority

In addition to the Resettlement Department, Hong Kong Government also formed a semi-independent Hong Kong Housing Authority (former Housing Authority) in April 1954 to make long-term improvements in the living environment for the low income families and to ease the high demand for housing. It operated on commercial basis and was responsible for its own finance and building of low cost housing for the middle and low income households. The first low cost housing built was the North Point Estate. The construction completed in 1958 and each flat had independent kitchen, bathroom and balcony. The average living space for each adult was 42 sq ft. Thereafter, the former Housing Authority continued to build large low cost housing estates, including So Uk Estate, Choi Hung Estate, Wah Fu Estate with housing capacity of 30,000, 40,000 and 60,000 respectively.

Hong Kong Housing Society

Other than that of Hong Kong Housing Authority, Hong Kong Housing Society also provides low cost housing and housing subsidies to the citizens in Hong Kong. The Housing Society was established in 1948 and incorporated by Ordinance in 1951. It is an independent and not-for-profit housing organization which provides complementary housing services similar to that of Housing Authority through a number of innovative schemes. It also acts as partner of the Government and builds self-contained homes for the people in need at non-prohibitive rates. In the decade between 1958 and 1968, a total of 11,000 units of public rental housing had been built in various parts of Hong Kong.

1970 to 1985

In **October 1972**, the Government announced the ever biggest housing program to provide decent living accommodation 1.8 M citizens in ten years' time by building 53 new public housing estates and conversion of 19 old housing estates and village estates. At the same time, **a new Housing Authority was established. Furthermore, the Resettlement Department and Housing Division of the Urban Services Department combined to form a Housing Department to act as the executive arm of the Housing Authority.** The Ten-year Housing Program was later extended for another five years to 1987.

To achieve the Ten-year Housing program, additional lands were urgently required to meet the target. Government therefore started to develop new towns away from the urban area. The development of new towns was a great challenge to the housing professionals as massive infrastructure such as transportation network, community and commercial facilities had to be coordinated and complicated social economical problems of the residents had to be solved. Furthermore, to improve the living standard of the people, Government started to convert and redevelop some of the old estates and districts with a view to providing a better living environment to the citizens.

Home Ownership

To satisfy the aspiration of the citizens to own their flats, starting from 1978, Housing Authority introduced a number of schemes including Home Ownership Scheme (HOS), Public Sector Participation Scheme (PSPS) and other loan schemes. These were flitting policies under the then circumstances. Under the HOS and PSPS scheme, high quality flats were built and sold at a discount to selected eligible citizens and sitting tenants of public housing. These schemes were particular helpful to those families which exceeded the income limit in applying for public housing and yet they were not wealthy enough to buy their own flats.

Between 1973 and 1982, a total of 220,000 flats had been built of which 180,000 were public rental flats and 23,000 were Home Ownership Scheme which provided housing for over 1M people. At the same time, the population residing in Housing Authority estates reached 2M.

From 1985 to 2000

Long Term Housing Strategy

In April 1987, the Government introduced the Long Term Housing Strategy (1987 - 2001). While the main objective was still to help all the families to acquire suitable and affordable housing, its emphasis shifted from construction of public rental flats to promotion of home purchase among citizens as a long-term solutions of housing problem. Other than speeding up the development of HOS and PSPS, it promoted greater use of private developer's resources, bringing in Home Purchase Loan Scheme offering free-interest loans which public rental housing tenants and other eligible citizens could use to buy private residential flats in the market. By this arrangement, the Government gradually reduced the provision of public rental housing and encouraged those affordable households to buy their own flats either from private property market by giving various forms of housing subsidy or to buy the flats from Housing Authority or Housing Society such as HOS and PSPS etc.

Ten-year Housing Plan

In 1997, the Chief Executive of Hong Kong Special Administrative Region announced another Ten-year Housing Plan. Under the plan, from 1997 to 2006, Government pledged to build on average not less than 85,000 flats per year, of which 50,000 were public housing flats. It was targeted that by 2006, over 70% of people in Hong Kong would have their own flats and the waiting time for public rental housing would be shorten to three years.

To enable better-off households to own their accommodation, to maintain the mobility of public housing tenants, to better use of resources as well as contribute to the Chief Executive's target of 70% ownership, the Housing Authority announced the Tenants Purchase Scheme (TPS) in Dec 1997 to provide opportunity for at least 250,000 families living in public rental housing to buy back their flats at affordable price. The first phase of TPS rolled out in 1998 with 27,000 flats in six estates were offered to sale. Furthermore, the Housing Authority introduced the Buy or Rent Option to facilitate applicants on Public Rental Housing Waiting List to acquire early home ownership.

Parallel to the Housing Authority, from 1988 to 1998, the Hong Kong Housing Society also introduced the Sandwich Class Housing /Loan Scheme to help

the middle-income families to buy their own homes. A total of 10 developments had been completed under this scheme providing 8,920 units of flats for sale to the citizens.

The 21st Century

In line of the strategy of Greater Private Sector Involvement in Housing Authority's work, in 1999, the broad direction of transferring estate management and maintenance services to the private sector by way of Phased Service Transfer was endorsed. Under this arrangement, most of the property management functions were outsourced in phases to property services companies. However, the core activities including most of the tenancy management functions such as those involving the exercise of statutory power or related to the implementation of Housing Authority's policy would be remained in-house. As a start, the first batch of four contracts involving 32,901 flats in seven estates was awarded in mid July 2001. Up to the present, a total of 109 public housing estates including those under TPS are managed by private management companies.

Review of the Institutional Framework for Public Housing

In mid 2000, the Chief Executive commissioned a review on the Institutional Framework of Public Housing in the wake of public concern over a number of serious incidents affecting the quality of public housing. In June 2002, the Government announced the outcomes of the review.

In the review report, the main objective underlying the housing strategy remained to provide "Better Housing for All" to the Hong Kong Housing community, and to make maximum use of private sector resources, so that public resources could be focused efficiently on families in genuine need. In meeting the demand from families in low income group, the Government would increasingly rely on direct fiscal subsidy. The traditional construction of public housing by Government agencies would become secondary. This would make the best use of public funds; provide a greater choice to consumers and allowing Government to respond quickly and flexibly in short term changes in housing demand.

While delivering the public housing program, the Government would ensure the stability of the private sector market by avoiding any overlap with the

subsidized home ownership market, by clear and transparent system of land sale and allocation.

The recommendations of the review can be summarized as follows:

a) *Formation of a new housing organization.* A new organization will be formed by the merger of the Housing Bureau (formally responsible for formation of Housing Policy) and Housing Department (which is the executive arm of Housing Authority). It will provide a unified chain of command running from formulation of housing strategy through to implementation of individual public housing programs. The new organization will focus on the core activities of the present Housing Department such as provision of public rental housing. For other extraneous functions, they will be transferred to other Government Departments such as clearance and squatter control will be transferred to Lands Department, etc.

b) *Establish a new Principle Official with responsibility for housing.* Under this arrangement, the Principle Official will become the Chairman of Housing Authority ex officio and the head of the new housing organization. He will control the housing policy and integrate the operations of the Housing Authority into Government's overall policy making process.

c) *Evolution of the role of the Housing Authority.* There will be a decrease in the traditional executive functions of the Housing Authority and Housing Authority will play a wider role in providing advice to the Government – on private sector property market as well as housing strategy. Also, the Government will progressively replace the traditional “brick and mortar” provision of public housing by use of direct fiscal subsidies.

d) *Future role of Housing Society.* As Government has firmly moved away from the “brick and mortar” approach in provision of public housing, it is no longer need to look to Housing Society to build public rental or subsidized home ownership flats. The administration of future scheme for loans and rental allowance will be coordinated under the new housing organization. Housing Society will play a new role in partnership with Urban Renewal Authority, to implement a comprehensive program of urban development.

e) *Other recommendation.* The new housing organization should monitor actively the progress of rail-related housing developments and those of the

Urban Renewal Authority, assess their implication for Government's policy objectives so as to facilitate the better planning of land supply for housing.

Real Estate Investment Trust (REIT)

In July 2003, Housing Authority agreed to divest the facilities in the form of Real Estate Investment Trust. Under this arrangement, some retail and car-parking facilities were transferred to REIT. A new company, named as The Link Management Ltd, was later established to manage the portfolio. For civil servants in Housing Department who were affected by the divestment projects, a Voluntary Exit Scheme was provided for them as an alternative. The divestment of Housing Authority's retail and car-parking facilities is, most importantly, a manifestation of the Government's board principle of withdrawing from the market and also to generate additional funding for the Housing Authority.

The Way Ahead

In the Review of the Institutional Framework of Public Housing, the Government has laid down clearly the future direction of the development of the public housing in Hong Kong. Basically, the Government will centre its work around three major areas:

- a) Government's subsidized housing policy will only assist those low-income families who cannot afford private rental housing. Public rental housing will still be provided to those in-need according to the pledge time, which is three years. In order to promptly withdraw from the property market, Housing Authority will cease the production of HOS flat;
- b) Future role of Government will focus primarily on land supply and public rental assistance. It will also withdraw as far as possible from the other housing assistance programs to minimize the intervention of market; and
- c) Maintain a fair and stable operating environment to enable a sustained and healthy development of private property market. Also, it will ensure an adequate supply of land together with supporting infrastructure to meet market demand and provide adequate land to Housing Authority for construction of Public Rental Housing.

Other than that of above, it is anticipated that the Government will continue to streamline and down sizing the Housing Department's structure. Various measures will be adopted to cut the operating cost, including adopt new public

housing design to reduce the construction cost, speed up the privatization of the public housing etc. Other than setting up The Link to divest Housing Authority's retail and car-parking facilities, Government will continue carrying out other divestment projects to withdraw from the market. The board principle is to reduce the Government commitment and responsibility in the provision of Public Housing and to make use of the private property market as far as possible.

In 1981, the population residing in Public Housing was around 2M. Since then, Government put forward a number of schemes to induce/ encourage citizens and sitting tenants to buy their own flats, such as HOS, PPS, Home Purchase Loan Scheme, rent subsidy, double rent policy, TPS, Sandwich Class Housing, etc. However, up to the present, the number of tenants residing in public housing is still around 2M. In another word, there is no reduction in the number of tenants residing in Public Housing during the past twenty five years.

Follow the change of sovereignty in 1997, the political environment in Hong Kong is now becoming more stable, it is believed that Government will exercise a greater force to push those affordable households to acquire their own flats so as to reduce the financial burden of the Government. Better-off households will be encouraged to move out so that vacated units could be allocated to those in need. Furthermore, those who can look after themselves will be taken off from the safety net of public subsidies as far as possible.

Conclusion

As we can see, public housing in Hong Kong has gone through a number of transitional stages during the past fifty years. In the 1950 to 1960, public housing was only provided as Emergency Housing/shelter, to resettle the fire victims and residents of clearance, and served as a relief to those who were in need. With the progress of the society, in 1970's, the housing policy had been changed with a view to providing Permanent Housing to the citizens. Thus, old resettlement housing estates were converted and redeveloped, and more permanent public rental housing estates were built. With the aspiration of the citizens to improve their living environment, the Government policy in public housing changed again to provide Quality Housing. New public housing estates were built and facilities such as shopping centre were included so as to provide better services to the tenants.

The development of public housing goes further in the past decade. The Government gradually pulled out from directly providing public housing and increasing the use the private property market. Instead of building public housing, Government tended to provide fiscal subsidies to those affordable to acquire housing in private market, or to buy back their own public housing flat. Public housing will only serve as the last resort for the lowest incoming group. With new housing policies and schemes keep abreast of the time, the Public Housing in Hong Kong will definitely continuous to move forward and meet the challenge ahead.

Reference

- a) From Shelter to Housing, 45 Years of Public Housing Development in Hong Kong - by Dr Leung Mei Yee
- b) Review of the Institutional Framework for Public Housing (June 2002) – Executive Summary and Recommendation
- c) Statement of Chief Secretary on the review of institutional framework for public housing – June 2002
- d) Speech by Mr Leung Chin-man, Director of Housing, at Open Meeting of Housing Authority on 12 July 2004

Appendix

Facts and Figures

No.	Item	Figure
1.	Total no. of Public Housing Estates in Hong Kong under Hong Kong Housing Authority <ul style="list-style-type: none"> - under Tenants Purchase Scheme and managed by private management companies - managed by Housing Department - managed by private management companies 	171 39 62 70
2.	Total no. of public housing flats	650,000
3.	Total no. of residents	2 Million
4.	No of applicants in waiting list	90,000
5.	Minimum allocation standard <ul style="list-style-type: none"> - with median rent-income ratio not exceeding 15% - with median rent-income ratio not exceeding 18% 	5.5 sq. meter Internal Floor Area/person 7 sq. meter Internal Floor Area/person
6.	Average waiting time	3 years
7.	Income and Asset limits for a 4 person family <ul style="list-style-type: none"> - Income limits per month - Net asset limit 	\$14,600 \$356,000