

A. Introduction

The Audit Commission ("Audit") conducted a review to examine the planning, construction and redevelopment of public rental housing ("PRH") flats.

Background

2. The Hong Kong Housing Authority ("HA") is a statutory body established under the Housing Ordinance (Cap. 283) to implement the majority of Hong Kong's public housing programme, including PRH to assist low-income families who cannot afford private rental accommodation.

3. The Housing Department ("HD"), as the executive arm of the HA, is headed by the Permanent Secretary for Transport and Housing (Housing) who also assumes the office of the Director of Housing. The HD also supports the Transport and Housing Bureau in dealing with all housing-related policies and matters.

4. Housing in Hong Kong is provided through three channels, namely private housing, PRH, and subsidized home ownership housing (primarily Home Ownership Scheme ("HOS") flats). PRH and subsidized home ownership housing are primarily provided by the HA.

5. The HD is responsible for the provision of PRH including, amongst others, the planning, construction and redevelopment of PRH flats. As at end of December 2013, the HA had a stock of about 742 000 PRH flats in 210 estates, accommodating some two million people (721 000 households) or about 30% of Hong Kong's total population. As at 31 December 2013, out of a strength of 8 848 HD staff, about 2 135 staff worked in the Development and Construction Division which is responsible for the production of new PRH flats.

6. Public housing resources are valuable and heavily subsidized. According to the HD, the average construction cost for a PRH flat is about \$0.7 million (not including the land cost) and it takes about five years to complete a project containing PRH flats, from site inception to works completion.

The Committee's Report

7. The Committee's Report sets out the evidence gathered from witnesses. The Report is divided into the following parts:

- Introduction (Part A) (paragraphs 1 to 11)
- Planning for the provision of public rental housing flats (Part B);
 - (a) Assessment of public housing supply and demand (paragraphs 12 to 24)
 - (b) Meeting the pledged production targets (paragraphs 25 to 27)
 - (c) Supply of land for public housing (paragraphs 28 to 46)
- Management of public rental housing construction projects (Part C);
 - (a) Monitoring progress of construction projects (paragraphs 47 to 55)
 - (b) Monitoring costs of construction projects (paragraphs 56 to 59)
- Redevelopment of public rental housing estates (Part D);
 - (a) Comprehensive Structural Investigation Programme (paragraphs 60 to 64)
 - (b) Refined Policy on Redevelopment (paragraphs 65 to 69)
 - (c) Exploring future redevelopment potential (paragraphs 70 to 73)
- Way forward (Part E) (paragraphs 74 to 79); and
- Conclusions and recommendations (Part F) (paragraphs 80 to 82).

Public hearings

8. The Committee held two public hearings on 5 and 12 May 2014 to receive evidence from witnesses.

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Declaration of interests

9. At the beginning of the Committee's first and second public hearings held on 5 and 12 May 2014:

- **Hon Alan LEONG Kah-kit** declared that he was currently a member of the HA; and
- **Hon Kenneth LEUNG** and **Hon NG Leung-sing** declared that they were former members of the HA.

Opening statement by the Secretary for Transport and Housing

10. **Professor Anthony CHEUNG, Secretary for Transport and Housing**, made an opening statement at the beginning of the Committee's first public hearing held on 5 May 2014. The full text of his statement is in *Appendix 5*.

Opening statement by the Secretary for Development

11. **Mr Paul CHAN Mo-po, Secretary for Development**, made an opening statement at the beginning of the Committee's first public hearing held on 5 May 2014. The full text of his statement is in *Appendix 6*.

B. Planning for the provision of public rental housing flats

Assessment of public housing supply and demand

Long-term housing demand assessment

12. According to paragraph 2.9 of the Director of Audit's Report ("Audit Report"), in order to determine the quantum of PRH production required to maintain the Average Waiting Time ("AWT")¹ at three years as pledged by the Government, the HD had since 2000 used a statistical model for assessing the demand for new PRH flats. As revealed in paragraph 2.17 of the Audit Report, the last assessment was made in 2011-2012 covering the 10-year period from 2011-2012 to 2020-2021. The HD had not made any assessment of long-term PRH demand since 2012-2013.

¹ The Average Waiting Time ("AWT") for PRH applicants refers to the average of the waiting time between registration on the WL and the first housing offer for all general applicants who were housed to PRH in the past 12 months, excluding any frozen period in between.

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13. The Committee noted from paragraph 2.10 of the Audit Report that the Long-term Housing Strategy ("LTHS") Steering Committee, formed in September 2012, had adopted a new methodology for projecting the long-term housing demand. Under the methodology adopted by the LTHS Steering Committee, housing demand, which included demand for both private and public housing, was defined as the total number of new housing units required to be built if each and every household was to be accommodated in adequate housing over the long term.

14. As reported in paragraph 2.19 of the Audit Report, the methodology adopted by the LTHS Steering Committee was built upon that used by the HD until recently, and had taken into consideration similar factors in assessing the total housing demand, except for not using the statistical model to determine the quantum of PRH production required to maintain the AWT at about three years. The Committee noted that according to the LTHS Steering Committee's recommendation, the long-term housing demand projection would be updated annually to reflect any changes in circumstances in a timely manner.

15. Given that the AWT was widely known and accepted as the measurement for timeliness in satisfying PRH demand, the Committee enquired:

- why the HD had not used its statistical model to assess the long-term PRH demand since 2012-2013; and
- whether the HD would continue to conduct assessments of long-term PRH demand, duly taking into account the target of maintaining the AWT at about three years for general applicants.

16. **Mr Stanley YING Yiu-hong, Director of Housing**, responded that:

- the regular exercise to assess the long-term housing demand for PRH using the previous statistical model was to provide a broad-brush, indicative reference for long-term land-use planning and reservation for PRH for internal reference only. The assessment results were presented to the Committee on Housing Development ("CHD"). The assessment was meant to serve as a tool to facilitate CHD's deliberations only, since the projected housing demand was only one of the many factors considered by the CHD. The then assessments focused on demand projection for PRH. Private housing demand was touched

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upon, but essentially as a residual under the then methodology. There was however no detailed analysis into the demand of the private sector;

- the LTHS Steering Committee's objective was to assess the long-term, overall housing demand for the whole of Hong Kong, whilst the HD's statistical model was used to project the long-term PRH demand only. The two had different focuses and objectives;
- to support the work of the LTHS Steering Committee, the HD had, in collaboration with relevant bureaux/departments ("B/Ds"), developed and submitted a proposal of a new methodology for the projection of long-term housing demand for consideration by the LTHS Steering Committee and hence, the HD had not used its statistical model to conduct long-term housing demand assessment since 2012-2013;
- under this new methodology, housing demand (including both public and private housing) was assessed as a whole. The result of the assessment was that the total housing demand for public and private housing was 470 000 units over the next 10 years, with a 60:40 public-private split. The overall housing supply target and the public-private split were guided by strategic policy considerations and were not just limited to maintaining the three-year AWT target for general PRH applicants;
- the Government would use this new methodology to project long-term housing demand in future and would review it on an annual basis as recommended by the LTHS Steering Committee; and
- the HD had been working on the operational details of the annual updating of the long-term housing demand forecast. Such details included establishing processes for the preparation of various data inputs, internal process for validating data and projections, as well as timing and method for the promulgation of the updated forecasts, etc. The HD aimed to have them sorted out before the end of 2014.

17. **Secretary for Transport and Housing** provided, after the public hearings, a paper on the new methodology adopted by the LTHS Steering Committee for assessing the long-term housing demand (in *Appendix 7*).

Demand for PRH flats

18. The overall demand for PRH broadly comprises demand from Waiting List ("WL") applicants and other demands. The HA maintains a WL of PRH applicants. The HA's current target is to maintain the AWT at around three years for general applicants (including both family applicants and single elderly applicants) and around two years for single elderly persons (i.e. those aged 60 or above). The demand from WL applicants has been increasing in recent years. As reported in paragraph 1.9 of the Audit Report, as at end of December 2013, there were about 121 100 general applicants and about 122 200 non-elderly one-person applicants under the Quota and Points System on the WL. The large number of WL applicants indicates a great demand for PRH. This also put immense pressure on the HA in meeting the AWT target of around three years for general applicants.

19. Other demands are housing requirements arising from redevelopment of old PRH estates, urban renewal, clearance of squatters and roof-top structures, compassionate rehousing, quota for civil servants and transfer from sitting tenants. These demands are, to a large extent, dependent on the housing policies and programmes of the HA and the Government.

20. Responding to the Committee's enquiry as to how the HA had allocated the PRH flats to meet the demand from WL applicants and other demands in the past years, **Ms Ada FUNG Yin-suen, Deputy Director of Housing (Development and Construction)**, said that the annual PRH Allocation Plan², which served as a guiding framework for the allocation work of the HA in the year, was drawn up taking account of the anticipated supply of PRH flats and the anticipated demand for PRH flats under various rehousing categories in the year ahead. The annual PRH Allocation Plan was submitted to the Subsidized Housing Committee ("SHC") of the HA each year for endorsement. Upon endorsement of the PRH Allocation Plan by the SHC, the HA would publicize the approved PRH Allocation Plan onto the

2 In drawing up the PRH Allocation Plan, the HA would ensure the following targets/key performance indicators("KPIs")/practices are met:

- (a) given the large number of applicants on the WL, the HA should allocate as many of the year's available flats as possible to this category in the light of PRH supply and other competing demand;
- (b) the HA's AWT target of around three years for general applicants (excluding applicants subject to the Quota and Points System);
- (c) the HA's KPI on the percentage of vacant flats (which is currently set at below 1.5% of the PRH stock); and
- (d) the HA's KPI on the percentage of overcrowded households (which is currently set at less than 0.55% of the total PRH households).

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HA/HD's website for public information. The actual allocation result, which reflected the actual demand and changing circumstances, of PRH flats would be reported to the SHC in the Allocation Plan of the following year.

Supply of PRH flats

21. The Committee noted from paragraph 2.11 of the Audit Report that the overall supply of new PRH flats included production of new flats and flats recovered from the surrender by and transfer of existing tenants. The total PRH production for the past 10 years from 2003-2004 to 2012-2013 was 150 312 flats, i.e. 15 031 per annum.

22. Responding to the Committee's enquiry as to how the PRH production level for the past 10 years was derived, **Secretary for Transport and Housing** replied, after the public hearings, in his letter dated 30 May 2014 (in *Appendix 8*) that:

- before the 2013 Policy Address, for a time the HA did not have fixed targets for PRH production. The future PRH production was determined taking into account the following factors:
 - (a) demand assessment for PRH;
 - (b) availability of land, including whether the sites identified were suitable for PRH development and whether the sites would be available in time;
 - (c) competing uses of land, including land for private housing, other community uses, conservation, etc.; and
 - (d) measures to manage PRH resources, such as the well-off tenants policies.

23. According to Figure 1 in paragraph 2.11 of the Audit Report, the annual production of new PRH flats fluctuated between a high of 24 682 in 2004-2005 and a low of 7 192 in 2006-2007 for the past 10 years. The Committee asked what had caused such fluctuations in the PRH production over the past years.

24. **Deputy Director of Housing (Development and Construction)** responded that:

- subsequent to the cessation of sale and production of HOS flats in 2002, some HOS projects had been transferred to PRH projects, resulting in a significant increase in the PRH production at 24 682 units in 2004-2005;
- as a result of the Government's review of the reclamation proposal at the South East Kowloon Development Area, the production of around 12 600 PRH units in the South East Kowloon Development Area, originally scheduled for completion in 2006-2007 and 2007-2008, had been delayed. Hence, only 7 192 new PRH units were produced in 2006-2007;
- implementation of public housing development depended on various factors such as planning, construction and resource allocation, etc. PRH production might vary from year to year, depending on the scale, site specific characteristics/constraints and construction progress of individual projects;
- the HD had put in place the Public Housing Construction Programme ("PHCP"), which was a rolling programme forecasting PRH production of the coming five years, with the March PHCP as a baseline for each financial year. The HD closely monitored the projects in the PHCP and reported the progress of the projects to the HA's Building Committee ("BC") on a monthly basis; and
- in parallel, the HD had performed the Public Housing Development Forecast ("PHDF"), which was a rolling programme forecasting PRH production of the second coming five years. Production beyond the first five years might be subject to changes due to a wide range of factors such as the planning process, consultations, land matters, funding procedures, infrastructures and site formation, etc. The PHDF was reviewed periodically and reported to the CHD on a regular basis.

Meeting the pledged production targets

Increasing AWT expected

25. As reported in paragraph 2.29 of the Audit Report, as at December 2013, the AWT reported by the HD was 2.9 years. Based on the assessment of the long-term housing demand for PRH endorsed by the CHD on 22 December 2010, the AWT

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would reach 3 years by 2014-2015, 3.1 years by 2017-2018, 3.3 years by 2018-2019 and 4.6 years by 2020-2021. Based on the demand assessment in February 2012, the AWT for general PRH applicants was projected to reach 3 years by 2014-2015, 3.4 years by 2015-2016, increasing to 3.5 years by 2018-2019 and 5 years by 2020-2021.

26. The Committee was of the view that the AWT was an important benchmark for assessing the timeliness in satisfying PRH demand, albeit the AWT did not reflect the average actual time for PRH applicants to be housed to the PRH. In view of the higher PRH production target, the Committee asked what measures would be taken by the HD to maintain the AWT at about three years for general PRH applicants.

27. **Secretary for Transport and Housing** responded and **Director of Housing** supplemented that:

- the waiting time³ was counted up to the first housing offer because an applicant was provided with a housing opportunity at the first offer whilst eligible applicants were given up to three offers. It was a matter of personal decision if the applicant declined the first housing offer to wait for subsequent offers;
- the assessments on the long-term housing demand for PRH conducted by the HD were to provide a broad-brush, indicative reference for long-term land-use planning and reservation for PRH for internal reference only. Indeed, any long-term projection was subject to a number of limitations. Due to the limitations of the previous method, a projection made in 2012 to project what would happen eight years later was likely to be inaccurate;
- besides, various changes in respect of Government policies and their implementation had taken place after the HD's assessment made in 2012, including increasing long-term supply of public housing. The objective was to prevent the projected AWT of five years from happening;

3 The waiting time refers to the time taken between registration on the WL and the first housing offer, excluding any frozen period in between (e.g. when the applicant had not yet fulfilled the residence requirement; the applicant had requested to put his/her application on hold pending arrival of family members for family reunion; the applicant was imprisoned, etc).

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- the HA would continue to strive at maintaining the AWT target at around three years for general PRH applicants, albeit the fluctuations in demand and supply might lead to occasional departure from this target;
- the HA would keep in view the number of new general applications in a year (which could serve as a medium term reference for the number of PRH flats required to meet the housing needs of these PRH applicants after three years) and the changes in the actual AWTs (which captured the latest changes in the past 12 months). In addition, the HA would continue the existing practice of publicizing the actual AWT on a quarterly basis for public's reference; and
- the HA would also maintain the interchangeability of production between PRH and HOS flats so that the supply of PRH flats could be adjusted wherever necessary and feasible to meet the evolving needs of the community in a timely manner.

Supply of land for public housing

28. The major source of land supply for PRH comes from the Government. According to the Supplemental Agreement between the Government and the HA, the Government would provide formed land and supporting infrastructure for the implementation of the approved public housing development.

Shortfall in supply of PRH flats in the coming 10-year projection

29. According to paragraph 2.27 of the Audit Report, the HD's 2012-2013 projections had revealed that the production forecast for the first five-year period from 2012-2013 to 2016-2017 was about 79 000 PRH flats. For the second five-year period from 2017-2018 to 2021-2022, the Government had identified sufficient sites to produce about 100 000 PRH flats. Although this meant about 179 000 flats would be produced for the 10-year period, there was currently still a projected shortfall of supply when compared to the new production target of 200 000 PRH flats. The Committee asked what steps would be taken by the Government to ensure a steady supply of new PRH flats for meeting the new production target of 200 000 PRH flats.

30. **Secretary for Transport and Housing** said that to meet the new production target, it was imperative to secure timely supply of suitable sites for PRH development and expedite the process of PRH projects to ensure that the delivery of

ramped-up production in the second five-year period made up for the shortfall in the first five-year period for the coming 10 years.

31. **Secretary for Development** advised that:

- as at January 2014, some 150 housing sites had been identified and could be made available for residential development in the coming five years (i.e. from 2014-2015 to 2018-2019) providing over 210 000 public and private units, subject to approval from the Town Planning Board for amendments to their respective statutory plans, including land use rezoning and/or increasing development intensity of the residential sites, and the carrying out of the necessary works (infrastructures, clearance of land, etc.);
- the relevant B/Ds would actively explore all feasible ways to increase land supply for public housing development. These included:
 - (a) liaising closely with the concerned bureaux, government departments, District Councils ("DCs") and local communities to identify suitable sites for public housing development in different parts of the territory;
 - (b) optimizing the development potentials of public housing sites having regard to the principles of cost effectiveness and sustainability. Where planning and infrastructure capacity permitted, the Planning Department ("PlanD") and HD would strive to achieve relaxation in plot ratios and height restrictions without compromising the environmental quality; and
 - (c) examining the build-back potential of aged PRH estates so as to increase the supply of PRH flats; and
- sites for subsidized housing development were tracked and driven by the HD which liaised with relevant B/Ds and DCs and local communities on the development programmes. The PlanD-HD Liaison Meeting provided a forum for the two departments to discuss planning parameters and land provision for subsidized housing development. Converting some private housing sites to PRH sites and vice versa could also be explored where necessary and feasible.

Land supply and site production for PRH development

32. According to paragraph 2.39 of the Audit Report, increasing land supply required not only identifying areas and land which were suitable for development, but also undertaking comprehensive planning, with a view to providing adequate infrastructure and facilities and addressing the impacts arising from developments, thereby making the development of land better suit the needs of people and community. Therefore, increasing land supply, either by way of optimal use of developed land or identification of new land for development, had to go through certain procedures. The Committee asked:

- what were the principles in identifying sites for PRH production; and
- what steps would be taken to ensure that the development of PRH sites would not adversely impact on the surrounding living environment.

33. **Secretary for Development** responded and **Mr LING Kar-kan, Director of Planning**, supplemented that:

- in reserving sites for public housing, the Government would adopt a prudent approach to maintain a healthy balance between public and private housing, taking into account various considerations such as location, site area, local character, accessibility and housing mix. In general, sites which were considered suitable for PRH included:
 - (a) those located within or in close proximity to the existing PRH or HOS estates as these sites were suitable for extension of the existing estates or for redevelopment purpose;
 - (b) preferably sizable sites that would facilitate comprehensive planning of mass housing with supporting community facilities and achieve cost-effectiveness of housing projects;
 - (c) those located in areas that were considered suitable for high-rise, high-density developments; and
 - (d) sites that were/would be conveniently accessible and/or well-served by public transport. To build a balanced community, it was also necessary to maintain an appropriate mix of public and private housing in a district;

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- before making the relevant proposals, the PlanD and other relevant departments would assess all relevant aspects in accordance with an established mechanism and criteria, e.g. whether there were sufficient infrastructure and community facilities to meet the needs of the proposed developments and the local community nearby; and
- the Government had commenced the consultation with DCs on the proposed housing developments. The Government appreciated that some DC members and residents would be worried that the proposals would have adverse impact on the traffic, infrastructure, environment and visual impacts, or community facilities and open space would not be sufficient to cater for the population intake. Where necessary, departments concerned would further conduct detailed technical assessments and propose implementation of appropriate mitigation measures. The Government hoped DCs and local communities would understand that appropriate mitigation measures would be introduced in phases and some impacts were just inevitable, albeit the Government would endeavour to minimize any impacts brought about by the proposed developments when converting the sites for housing development.

34. The Committee noted from paragraph 2.47 of the Audit Report that as at March 2014, a number of sites which had been earmarked for public housing had not been included in the HD's PHCP/PHDF because the availability of these sites was subject to technical assessments, engineering studies, rezoning, land resumption, graves/land clearance, reprovision/relocation of existing/planned facilities, extensive site formation, availability of basic infrastructures such as sewage, land decontamination, road works gazettal, etc.

35. On the measures to expedite the inclusion of the sites earmarked for public housing in the HD's PHCP/PHDF, **Secretary for Development** replied in his letter dated 29 May 2014 (in *Appendix 9*) that:

- as announced in the 2014 Policy Address, additional sites had been identified in various districts with potential to be rezoned for residential use. The Government had already commenced the consultation with DCs so as to proceed with the proposed rezoning as soon as practicable. The relevant B/Ds had also been working closely to carry out the necessary assessments and/or resolve the technical issues involved, with a view to expediting the land formation, infrastructure construction and

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other required procedures for the timely delivery of public housing units. Furthermore, the PlanD and Lands Department ("LandsD") would conduct site search for permanent and temporary reprovisioning of affected facilities respectively;

- besides, to enhance the capability in land supply and development, a new team would be established in the Development Bureau ("DevB"), subject to the Finance Committee's approval, to oversee the site production process and enhance inter-bureau and inter-departmental coordination in site tracking and land production; and
- the DevB would continue to liaise closely with the Transport and Housing Bureau/HD to secure sufficient number of suitable sites and discuss how best to streamline the procedures to fast-track the site delivery for meeting the new PRH production target.

Public housing sites returned to the Government

36. According to paragraph 2.59 of the Audit Report, most of the sites identified for PRH involved site constraints and issues to overcome before development could proceed. Generally there were 15 general studies for potential PRH sites and 10 specific studies depending on the specific characteristics and constraints of individual sites.

37. As reported in paragraph 2.60 of the Audit Report, during the period from 2001 to 2013, the HA had returned 24 PRH redevelopment sites to the Government for other uses to tie in with local development needs, or to fully utilize the economic benefits of individual prime sites. These sites were already formed and were thus available for immediate PRH construction. In some cases, replacement sites were provided by the Government in exchange for the return of existing PRH sites. However, such replacement sites were usually at the early planning stage. They might not be immediately available for PRH development since it would normally involve rezoning of sites, land resumption clearance, large-scale site formation works, technical feasibility study and other site development constraints.

38. In reply to the Committee's enquiry about the policies on the return of PRH redevelopment sites to the Government and the mechanism for returning such sites to the Government, **Secretary for Development** stated, after the public hearings, in his letter dated 9 June 2014 (in *Appendix 10*) that:

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- the Government, when making the decisions regarding sites returned from the HA for other uses, would take into consideration a host of factors including the local context, planning parameters, technical feasibility, housing mix, provision of government, institution or community and open space facilities, other social needs, the prevailing policy, etc.; and
- more importantly, whilst certain PRH sites were returned to the Government, the Government had pledged to provide sufficient land to the HA for PRH production to meet the production target. To this end, the PlanD and the HD had been and were in close liaison to identify sufficient sites for development of public housing. For instance, a number of sites including those in Fanling Area 49, Tung Chung Area 39, Mok Cheong Street, Wah Fu North, San Hing Tsuen, Sau Mau Ping, and the Fanling North and Kwu Tung North New Development Areas had been identified as additional/replacement sites for PRH development over the years.

39. **Secretary for Transport and Housing** stressed that on account of the then demand and supply situation of both public and private housing, as well as the prevailing policies and circumstances, the Government and the HA had come up with the arrangements for the return of the 24 PRH redevelopment sites to the Government for other uses. There was an internal coordination mechanism in the Government which operated through the Steering Committee on Land Supply ("SCLS"), the Committee on Planning and Land Development ("CPLD") and the CHD that together coordinated plans for development and supply of land for different types of land use. In view of the new production target for the coming 10 years, the Government was working very hard to secure adequate land supply for public housing development. In this regard, the HA had no plan to return PRH redevelopment sites to the Government. **Secretary for Transport and Housing** pledged that sites vacated by the demolition of aged PRH estates for redevelopment would be retained for development of public housing.

40. Responding to the Committee's enquiry as to why the HA had returned the the Ex-Homantin Estate redevelopment site to the Government in 2013, **Secretary for Transport and Housing** explained that:

- the HA agreed to return the Ex-Homantin Estate redevelopment site (referred to in Case 4 of the Audit Report) in 2005 after the announcement of the Housing Policy Statement in 2002, subject to the availability of replacement sites. Phases 2, 3, 5, 6 and 7 of the Ex-Homantin Estate

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redevelopment site were grouped into three sites: Phases 2 and 7 as Site I (net site area being 20 810 square metre ("sq.m.)), Phase 6 and part of Phase 3 as Site II (7 191 sq.m.), and Phase 5 and part of Phase 3 as Site III (5 960 sq.m.). Since 2005 the three redevelopment sites had been in the Government's total stock of sites, and considered together with all other sites against the many demands for land that the Government had to meet;

- as a matter of fact, there had always been a need to ensure a steady land supply for private housing for a healthy development of the property market. The current-term Government similarly had to determine how to use each site in the best way to meet demands for community uses, conservation, private housing, public housing etc.;
- as Sites I and II were considered suitable for private residential use, they were included in the 2011-2012 Land Sale Programme in February 2011 pursuant to the 2010-2011 Policy Address. The two sites were made available for sale by application in November 2011 after the LandsD had finalized the sale conditions, and successfully tendered in March 2013 and June 2013 respectively through government-initiated sale. Site III was earmarked for Government, Institution or Community use; and
- whilst the three redevelopment sites had been used for other purposes, the Government had allocated replacement sites to the HA for public housing development, including major sites such as Queen's Hill, Tai Po Area 9, Shek Mun, Lai Chi Kok Road-Tonkin Street and Kai Lung Wan in Pok Fu Lam, etc.

Development costs written off

41. According to paragraph 2.62 of the Audit Report, in general, the HA was not responsible for the costs of land formation. However, for redevelopment sites, agreement between the Government and the HA was reached on a case-by-case basis. There were often cases in which the HA had agreed with the Government to take up the works and/or the costs of some site formation/reclamation to facilitate the development process. The Government was, in general, responsible for funding the land formation of the new sites. Nonetheless, in some cases, the sites returned to the Government were finally sold to developers or converted to other uses, the development costs incurred by the HA had to be written off in its financial statements. The development costs for such returned sites written off in 2011-2012 and 2012-2013 were \$84 million and \$125 million respectively. The Committee asked why the development costs of such returned sites were not borne by the Government.

42. **Secretary for Transport and Housing** explained that:

- the Government usually allocated sites to the HA under two types of agreements, namely the Vesting Order ("VO") and the Short Term Tenancy ("STT");
- for Ex-Homantin Estate, the HA was vested the control and management of the relevant premises under a VO. For Inverness Road, the HA was allocated the site under a STT to carry out site formation and road works. Under both types of agreements, there was no provision for compensation to be made to the HA upon revocation of the agreement; and
- for the remaining four sites, namely, Welfare Road Aberdeen, Wong Tai Sin Police Quarters, Tseung Kwan O Area 74 South Phases 1 & 2, and Sha Tau Kok Road Fanling, the Government had not allocated the sites to the HA for public housing construction. They had been earmarked for the HA to carry out preliminary studies or other preparations. As there was no agreement between the Government and the HA, there was no basis for the HA to seek reimbursement of the development costs incurred.

Parties involved in development and supply of land

43. As reported in paragraph 2.34 of the Audit Report, the Steering Committee on Housing Land Supply ("SCHLS"), chaired by the Financial Secretary, was set up in October 2010 to coordinate the efforts of the various policy bureaux and government departments concerned in making available land for the housing supply targets set by the Government. The SCHLS had been re-organized into the SCLS since February 2013. Apart from the SCLS, the CPLD and the CHD were also involved in the development and supply of land for housing development. The Committee asked about the roles and responsibilities of various committees in meeting the pledged production target at 200 000 PRH flats over the coming 10 years.

44. **Secretary for Transport and Housing** replied that:

- under the existing mechanism, the CHD, chaired by the Permanent Secretary for Transport and Housing (Housing) cum Director of Housing, was responsible for assessing the housing demand, monitoring the timely supply of suitable land for public housing development to meet the anticipated demand, as well as the implementation of public housing development programme to meet the housing supply targets set by the Government, subject to timely availability of land;

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- the CPLD, chaired by the Secretary for Development, coordinated land use planning and land development matters, including planning and allocation of land for various uses such as residential uses, and made decisions on development proposals and development parameters of individual sites;
- in 2010, on top of the CHD and CPLD, the then SCHLS was set up to coordinate the efforts of the various policy bureaux and government departments concerned on increasing housing land supply. The SCHLS had been re-organized into the SCLS since February 2013, with its scope of work expanded to coordinate the overall plans for development and supply of land for different types of land uses including housing and commercial uses; and
- with the announcement of the new housing supply target in the 2014 Policy Address, the SCLS would continue to coordinate the efforts of B/Ds to increase land supply for housing with a view to meeting the target. With the involvement of relevant policy secretaries and heads of departments, the SCLS provided a forum for resolving inter-bureau and inter-departmental issues affecting the availability of individual housing sites, such as infrastructure provision, and had been coordinating the overall land supply.

45. Despite the Government's pledge to increase the PRH production to 200 000 flats for the coming 10 years, the Committee noted from paragraph 2.14 of the Audit Report that the LTHS Steering Committee had recommended that the new production target should be adjusted flexibly to cater for changes in circumstances, in order to give due consideration to and strike a balance between the two major objectives of increasing the production of public housing to satisfy public demand and stabilizing the private market. The Committee asked what measures would be taken by the Government to ensure the continuity of housing policy.

46. **Secretary for Transport and Housing** advised that as stated in the LTHS Steering Committee's report on public consultation, there was general support for the recommendation to adopt a supply-led LTHS with public housing accounting for 60% of the new housing production at 470 000 units. With the announcement of the new production target in the 2014 Policy Address, there was public expectation that the Government would implement measures to increase land supply for public housing and expedite the process of PRH projects to meet the new target. In

consideration of the public expectation of increased PRH production level, there was no ground for the discontinuation of housing policy upon the change of Government.

C. Management of public rental housing construction projects

Monitoring progress of construction projects

Construction works management

47. According to Table 7 in paragraph 3.4 of the Audit Report, since 2013 the HA had streamlined the construction process to reduce the timeframe for PRH construction from seven years to five years under the fast-track programme. The Committee enquired whether consideration could be given to setting the life cycle of all PRH construction projects at five years.

48. **Deputy Director of Housing (Development and Construction)** replied that:

- in order not to compromise the quality of construction works and site safety, the five-year duration was achievable only under fast-track programme for completion of a 40-storey public housing block on "spade ready" sites (i.e. sites which had been properly zoned for residential use, and sites which were flat, resumed, cleared and formed with adequate provision of infrastructure). The key to prompt delivery of public housing hinged essentially on securing "spade ready" sites;
- in addition, early support of DCs and the local communities as well as having all the other resources including adequate manpower in place were essential. Under the five-year fast-track programme, the HD had to make best efforts to fast-track the preparatory work by compressing the programme for various feasibility studies, consultations with DCs and local communities, planning and design works from three years for a normal project to one year for a fast-track project;
- apart from "spade ready" sites and early community support, there were occasions where construction works had taken longer than three and a half years to complete. This had happened in cases such as building exceeding 40-storey in height, or building sitting on podium with deep and difficult foundation or hilly site with extensive site formation work; and

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- the HD would examine the nature and relevant features of a particular project site for determining the project life cycle. In view of the aforesaid, it was not advisable to rigidly set the life cycle of all PRH construction projects at five years.

49. In the light of the new PRH production target and the compressed timeframe, the Committee asked about the measures to expedite the construction process of a PRH project. **Deputy Director of Housing (Development and Construction)** responded that:

- the HD would continue to enhance and streamline the administrative procedures for public housing development by bringing in advance building technology and equipment. These included outsourcing detailed design works and wider use of mechanization and prefabrication technology. The HD had been extending adoption of precast elements to roof and external works including precast parapet wall, water tank and manhole. Since precast elements were cast independent of the in-situ construction works, the use of precast elements and prefabricated technology could help save construction manpower resources and shorten construction time;
- besides, the HD would conduct a series of upfront measures to minimize the risk of project delays. These included the implementation of more investigation works to assess ground conditions, advanced trial pit for underground utilities to ensure no underground obstruction, advanced hoarding work and off-site drainage and plumbing work to facilitate the building construction; and
- the HD would closely monitor the project progress at all stages to ensure that the development programmes would be completed in a timely manner. In addition, the project progress was reported to the HA's BC on a monthly basis for programme monitoring.

Planned timeframe for PRH production

50. The Committee noted from paragraph 3.2 of the Audit Report that the HA currently had six standing committees, including the Strategic Planning Committee ("SPC") and the BC. According to the terms of reference, the SPC considered the viability of projects relating to public housing development, approved the inclusion of sites in the production process, and reviewed all housing programmes relating to

policy targets. The BC approved project budget, master layout plans and scheme designs for public housing projects.

51. As revealed in paragraph 3.7 of the Audit Report, for the Tuen Mun Area 18 project, the HA's BC meeting was held 1.5 years after the SPC meeting. The project was delayed because there had been a lengthy consultation between the HA and the Tuen Mun DC on the provision of additional community facilities, causing major changes to the original Project Brief. Given that it was not unusual for the HD to encounter problems such as objections by the local concern groups or other stakeholders during the process of the development of PRH projects, the Committee asked what measures would be taken by the HD to minimize the risk of project delays.

52. **Deputy Director of Housing (Development and Construction)** responded that:

- the HA was entrusted by the relevant B/Ds to construct ancillary facilities for the PRH residents and the local communities after constructing the domestic blocks, despite the fact that the provision of community facilities was not planned by the HA and was beyond the control of the HA;
- during the process of the development of the project, there were objections to the Tuen Mun Area 18 project from the local communities, on the grounds of a high concentration of public developments and inadequate community facilities in the district. The Project Team had taken steps proactively to address the issue of the provision of a Community Hall, and to actively liaise with all concerned B/Ds for funding and technical approvals;
- the HA had revised the scheme design proposal continually during the lengthy consultation with the Tuen Mun DC. In February 2009, the BC approved the project scheme design and the project budget. There was no delay to the completion of the domestic portion of the Tuen Mun Area 18 project and the respective Building Contract as the planned completion date of the Community Hall was not specified in the relevant BC paper; and
- after consolidating the experience from the Tuen Mun Area 18 project, the HA had been conducting consultations as early as practicable to deal

with concerns and objections from the local communities or other stakeholders, with a view to ensuring a timely delivery of both the domestic portion and the community facilities. Where practicable, development programmes in the same district would be bundled together for consultation with the local communities or other stakeholders.

PRH construction project delays

53. According to paragraph 3.5 of the Audit Report, the period of construction project could be significantly shortened by two years because the first four stages relating to planning and approval would be compressed.

54. The Committee noted from paragraph 3.9 of the Audit Report that after the land site was ready for construction, it normally took the HD around 3.5 years to carry out the construction work. According to the 2012-2013 PHCP, six PRH projects would be completed in 2012-2013 involving the production of 13 114 flats. Audit found that there had been some project delays in these six projects. The period of delay ranged from 2 to 7 months compared with the planned completion dates stated in the relevant BC papers. Given that project delays would cause great inconvenience to the incoming tenants and lengthen their actual waiting time for PRH, the Committee asked:

- what had caused the delays in the six PRH projects completed in 2012-2013; and
- what measures would be taken by the HD to better monitor the progress of the construction works and minimize construction programme slippage.

55. **Deputy Director of Housing (Development and Construction)** explained that:

- there were usually two months of extension allowed for delays due to inclement weather for building contracts. The delays in the six PRH projects were mainly due to extra inclement weather and some legitimate or genuine grounds for extension of time that the contractors were entitled to. There were also reasons for delay which were beyond the control of the contractors or the HA. These included late possession of site, delay by other parties such as the utility companies, delayed utilities connections due to congested underground conditions

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and complex ground conditions. As a result, most of these projects had legitimate postponement of project completion date which resulted in no or only very minor slippage. In order not to affect PRH in-take, the HD staff concerned would endeavour to separate the domestic portion and try to complete it earlier. This was the reason why the completion of non-domestic portion was sometimes later than that of the domestic portion in a PRH construction project;

- the HD had put in place a systematic performance monitoring and reporting system underpinned by an objective Performance Assessment Scoring System so that any delay or failure in performance could be identified and mitigation measures would be implemented promptly;
- besides, there was a Liquidated Damages provision in construction contracts to deal with delays in various sections of the works. If there was a delay to the construction works for which the contractor was responsible, the Contract Manager would enforce the Liquidated Damages provision and recover the damages from the payment due to the contractor; and
- during the construction period, the Contract Manager, his representatives and site staff would closely monitor the construction progress, pay regular site visits, hold site meetings and perform site supervision and inspection in order to ensure the contractor's performance meeting the quality standard and adhering to the works programme.

Monitoring costs of construction projects

56. The Committee noted from paragraph 3.16 of the Audit Report that under the current HA's budget system, the Project Construction Cost Ceilings are approved by the SPC at the feasibility study stage. A Project Budget is approved by the BC at the budget stage provided that it is within the Project Construction Cost Ceiling previously approved by the SPC and the project budget is revised at the building tender stage.

57. According to paragraph 3.20 of the Audit Report, Audit analyzed the six projects completed in 2012-2013. All of them involved budget revisions. The actual/estimated costs of all the six completed projects were within the approved budgets. Comparing with the original budgets, variances of 27% to 37% were noted for the actual/estimated costs of three of the six projects.

58. On the measures to improve the accuracy of budgeting for PRH construction projects, **Deputy Director of Housing (Development and Construction)** advised that:

- the HA had in place a proper budget preparation and approval process, and an effective budgetary control system. The Construction Cost Ceilings/Budgets at the feasibility study and budget stage were prepared based on the cost yardsticks with adjustments made for known requirements and detailed design information of individual projects. The construction cost yardsticks were compiled in June every year to reflect the tender price movement and changes in design requirements since last compilation. Blanket approval covering those developments parameters requiring updating was sought from the SPC, or the BC where the updating only involved changes resulting from the use of the latest approved standard cost yardsticks, tender price inflation and contract price fluctuation adjustment factors;
- when preparing the tender documents, the contract team of the HD was responsible for monitoring costs against the approved budget parameters and amending project design if required to bring costs within the approved budget parameters. Revisions to the project budget would be submitted to the BC for approval after the Tender Committee's approval of the award of the contracts. Once the construction work started, the project manager would carry out annual budget review for the latest estimate of annual construction expenditure to avoid over/under spending; and
- to further improve the accuracy of budgeting for PRH construction projects, the HD had been enhancing the following aspects of the system:
 - (a) closer monitoring of construction market cost trends, in particular the cost movements of construction labour and materials;
 - (b) closer monitoring of construction costs at the detailed design and tender stages against the approved budgets; and
 - (c) closer monitoring of design variations at the construction stage against the design upon which the approved budget was made.

59. At the request of the Committee, **Secretary for Transport and Housing** provided, after the public hearings, further information on the dates the original and revised budgets for the three projects were compiled and the reasons for such revisions (in *Appendix 11*), as well as the financial information of the HA for the financial years from 2009-2010 to 2013-2014 (in Appendix 7).

D. Redevelopment of public rental housing estates

Comprehensive Structural Investigation Programme

60. As reported in paragraph 4.5 of the Audit Report, the Comprehensive Structural Investigation ("CSI") Programme had been rolled out since September 2005. It included a detailed investigation which aimed to determine the material strength and rate of deterioration of the structural elements of a building, focusing on major aspects such as concrete strength, extent of spalling and cracks, and corrosion of steel reinforcement bars, etc.

61. According to paragraph 4.8 of the Audit Report, primarily in consideration of the estates' age, a total of 42 estates built in 1980 or earlier were included under the CSI Programme in two batches. Up to January 2014, assessment on the 26 oldest estates had been completed. So far, all estates had been found to be structurally safe. The CSI found varying extent of structural deterioration in the older public housing blocks.

62. On the way forward of those PRH blocks or estates which remained structurally safe after the CSI, **Mr CHAN Siu-tack, Assistant Director of Housing (Estate Management)**², said that:

- for those PRH blocks/estates which remained structurally safe but required improvement works to enhance the structural capacity, appropriate works such as structural strengthening, recasting or tailor-designed concrete repair would be arranged so that no major structural repairs would be necessary for at least 15 years. Another detailed CSI would be carried out near the end of the 15-year period;
- the expenses on maintenance and improvement works for old blocks generally increased with age. Whilst it might be technically feasible to extend the serviceable lifespan of the PRH blocks through various upgrading works, the associated costs would at a certain point outweigh

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the benefits, thus making it uneconomic to retain the blocks. A financial appraisal would be carried out for the costs of repair works to determine its financial viability. Demolition might be considered if the cost-benefit analysis suggested that the aged blocks or estates were beyond economic repair;

- the estimated repair cost per flat varied amongst various estates. It ranged from \$1,200 to \$47,900 per flat. So far, only So Uk Estate and Tung Tau Estate Block 22 had been recommended for redevelopment under the CSI Programme because their estimated structural repair costs per flat (in the range of \$46,200 to \$47,900) were not economically viable; and
- for those PRH blocks/estates which were identified for redevelopment in the next few years, repair and maintenance works including those concerning statutory compliance, safety and hygiene would be carried out to maintain these blocks/estates in satisfactory conditions until their clearance, instead of works for at least another 15 years.

63. The Committee noted from paragraph 4.10 of the Audit Report that in consideration of the resource demand and the anticipated amount of works involved, the HD currently adopted a manageable programme approach by conducting CSI for only three to four estates per year. Audit noted that there were 42 estates included in the CSI Programme from 2005 to 2018 (26 estates completed during the eight years from 2005 to 2013), and more estates would probably be included in the next CSI Programme beyond 2018. The Committee asked whether the HD had critically assessed the resource requirements for conducting CSI and planned ahead for the implementation of the next CSI Programme which was expected to start from 2018.

64. **Assistant Director of Housing (Estate Management)**² responded and **Secretary for Transport and Housing** replied, after the public hearings, in his letter dated 30 May 2014 (in Appendix 11) that:

- to ascertain the building conditions of individual estates, the HD had since 2005 conducted the CSI on ageing estates which was about 40 years old or above and often associated with soaring maintenance and repair costs;
- the whole investigation process covered desktop study, visual inspection, site and laboratory testing, and technical assessment. The

findings would facilitate the consideration and planning of the necessary follow-up actions such as monitoring, repair or clearance. If certain blocks or estates were found to be structurally unsafe, demolition would be recommended; and

- a total of 38 HD staff was currently involved in the CSI Programme. Based on the HD's assessment, no additional resources was required for the rest of the current CSI Programme from 2005 to 2018. The HD would conduct an early review to assess the resource requirements for the CSI and prepare an implementation plan ahead of the next CSI Programme expected to start in 2018.

Refined Policy on Redevelopment

Refined Policy on Redevelopment of aged PRH estates

65. According to paragraph 4.18 of the Audit Report, in November 2011, in response to an initiative announced in the Policy Address of 2011-2012 "to explore ways to appropriately increase the densities and plot ratio of PRH projects without compromising the living environment", the HA implemented the Refined Policy on Redevelopment of aged PRH estates by considering the build-back potential and the availability of rehousing resources of the estates in addition to the structural conditions of the housing blocks and the economic viability of repair works under the current CSI Programme. The Committee noted from paragraph 4.20 of the Audit Report that out of the 26 estates with the CSI completed, the HD had recommended the way forward for 16 estates.

66. **Deputy Director of Housing (Development and Construction)** advised that:

- as the redevelopment potential assessment of the 16 estates was completed before the introduction of the Refined Policy on Redevelopment in November 2011, the build-back potential of these 16 estates was not considered;
- of the 16 estates, two estates (i.e. So Uk Estate and Tung Tau Estate Block 22) had been identified for clearance based on an earlier set of redevelopment criteria, i.e. structural safety and economic viability of repair works;

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- as announced in the 2014 Policy Address, Wah Fu Estate was considered suitable for redevelopment following the Government's decision to partially lift the development moratorium at Pok Fu Lam South and adjacent government sites to facilitate the use of the five government sites for public housing development; and
- as for the remaining 13 retained estates, a preliminary review on the redevelopment potential of these estates had been completed in early 2014. Such review was a starting point for the HD to conduct detailed studies of selected aged estates in future.

Build-back potential for the old estates

67. Responding to the Committee's enquiry about the timeframe for conducting a detailed review on the build-back potential of all aged estates with CSI completed, **Secretary for Transport and Housing** responded and **Deputy Director of Housing (Development and Construction)** supplemented that:

- up to February 2014, the HA had completed a preliminary review on the redevelopment potential of 22 aged estates with CSI completed. The completion of the preliminary review served as a starting point for detailed studies of selected aged estates in the future, not a decision that all 22 estates would be redeveloped in the near future with a firm timetable;
- the HA had no plan to redevelop all 22 aged PRH estates in one go. In fact, the HA was constrained by established policies and considerations in deciding how many estates it could redevelop at one time;
- in deciding whether individual estates should be redeveloped, the HA would consider the following three criteria holistically:
 - (a) whether the housing blocks were no longer safe or economic to maintain as confirmed by the findings of the CSI;
 - (b) whether individual estates had a promising flat gain upon optimization of development potential; and
 - (c) whether suitable rehousing resources were available nearby; and

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- the HD would prudently plan its redevelopment programme and would allow adequate time for negotiations with the tenants, local community or other stakeholders, and DC members.

68. As reported in paragraph 4.22 of the Audit Report, among estates in the pipeline for the CSI Programme and the 2009 redevelopment potential review, Pak Tin Estate had been identified with high redevelopment potential and promising flat gain as well as suitable rehousing resources. In January 2012, the HA endorsed the plan for the redevelopment of Pak Tin Estate. However, Audit found that new lifts were installed shortly before the launching of the redevelopment of Pak Tin Estate. The Committee asked what measures would be taken to avoid potential wastage of resources due to the launching of redevelopment plan shortly after the completion of major improvement works in an estate in future.

69. **Deputy Director of Housing (Development and Construction)** responded that addition of lifts was to enhance mobility of the tenants especially the senior citizens and disabled persons. The lift addition works at Blocks 2 and 12 commenced in January 2011, well before the implementation of the Refined Policy on Redevelopment, and were completed respectively in July and August 2012. Since the HA had adopted the Refined Redevelopment Policy in November 2011, there had been an established mechanism to enhance coordination within the HD so that the redevelopment programme of aged estates would be made known to the parties handling various programmes of maintenance and improvement works to the concerned estates to enable better planning.

Exploring future redevelopment potential

PRH Interim Housing blocks

70. According to paragraph 4.29 of the Audit Report, as at January 2014, the HA had three Interim Housing ("IH")⁴ estates, namely Shek Lei (II) IH, Long Bin IH and Po Tin IH, which provided a total of 4 914 units. The vacancy rates as at January 2014 of the three IHs were 60%, 40% and 8% respectively. Two Transit Centres, namely Po Tin Transit Centre and Lung Tin Transit Centre also provided

4 It is the Government's policy to ensure that no people would be rendered homeless as a result of natural disasters, fire, emergencies, as well as the Government's clearance and enforcement actions. At present, the HD provides temporary accommodation to those in need in the Po Tin Transit Centre at Tuen Mun through the referral of the Buildings Department or the LandsD. Those who have lived in the transit centre for three months, passed the "homeless" test, and fulfilled the eligibility criteria for PRH can be rehoused to IH while awaiting PRH allocation through the WL system.

temporary accommodation. In view of the age, increasing maintenance cost and high vacancy rates, the Committee asked whether consideration would be given to making better use of the IH blocks and the Transit Centres.

71. **Secretary for Transport and Housing** replied that:

- it was the Government's policy that no person would be rendered homeless as a result of natural disasters or clearance operations. Persons affected by natural disasters and emergencies would be provided temporary accommodation at the Transit Centres and thenceforth IHs for those with genuine housing needs but not immediately eligible for the allocation of PRH flats. To this end, there was a need to maintain sufficient vacant IH and Transit Centre units;
- after the reviews in 2011 and 2013, decision was made to retain the Shek Lei IH and clear the Long Bin IH in January 2016. The overall supply of IH units had therefore decreased substantially by 840 units with the Long Bin IH withheld from letting pending clearance; and
- from an operational perspective, there was a need to maintain the Shek Lei IH, being the only IH in Extended-urban area, to accommodate affected households of various emergencies taken place in Urban/Extended-urban areas despite the fact that the HA's established policy was to rehouse the affected persons to Transit Centres and IHs in the New Territories. Over the years, the Shek Lei IH had been used as a temporary accommodation for affected households of various natural disasters and emergencies. The HD would continue to review the provision of IH and Transit Centre units on a regular basis.

Better utilization of vacant sites

72. As revealed in paragraph 4.27 of the Audit Report, Audit found that some PRH redevelopment sites which had been cleared a number of years ago were still left undeveloped. An example was the Phases 3, 6 and 7 of Shek Kip Mei Estate. The Committee considered that the HD needed to explore the better use of its existing land resources and explore the feasibility and expedite the process of putting the vacant sites into beneficial uses.

73. At the request of the Committee, **Secretary for Transport and Housing** provided, after the public hearings, in his letter dated 30 May 2014 (in Appendix 11) further information on the steps taken by the HD to put the vacant sites into beneficial uses after the demolition works were completed in the sites of Phases 3, 6 and 7 of Shek Kip Mei Estate.

E. Way forward

Financing the new PRH production target

74. The Committee noted that according to the 2014-2015 Budget Speech, the HA would have an estimated balance of \$68 billion at the end of 2013-2014, which could meet the funding requirement of the development programme for the next four years; however, to achieve the new housing production target, the HA should keep enhancing cost-effectiveness and sustainability of its modus operandi in the long run. In this connection, the Financial Secretary had indicated that the HA was expected to assess the additional financial resources needed for the coming 10 years. The Committee asked:

- what was the estimated construction expenditure for the 200 000 PRH flats in the 10-year period from 2013-2014 to 2022-2023; and
- how such costs would be financed.

75. **Director of Housing** replied that:

- between 2003-2004 and 2012-2013, the HA's production target of 150 000 PRH units had generally been met. The HA had annual consolidated surpluses for the past five years, after offsetting the PRH's operating deficit from the surplus of other operations and investment. With the fund generated from the annual operation and over \$60 billion balance carried forward in the past five years, the HA had been able to meet the funding requirement of its operation and construction programmes;
- with the new production target at 200 000 PRH units, the HA was expected to produce an additional supply of 50 000 PRH units in 10 years on top of the previous 10-year production level of 150 000 units;

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- currently, the construction cost of a PRH flat (not including the land cost) was on average around \$0.7 million. However, this might not reflect the unit cost for constructing all the 200 000 PRH flats in the coming 10 years as the unit cost would be affected by factors such as the site conditions, the scale of development projects, the specific building designs to overcome site constraints, price level changes of construction labour and materials, etc.;
- the Housing Authority Tender Price Index ("HATPI") was compiled for each quarter to provide an indication of the price level of tenders for new building contracts returned in that quarter and accepted by the HA. Nonetheless, the level of tender prices was not a determining factor in the planning of public housing development programme. A comparison between the HATPIs and the tender price indices of the two major private quantity surveying consultant firms revealed that the HA's tender price trend for building works was similar to that of the private sector in the previous 10 years;
- under the established PRH rent adjustment mechanism, PRH tenants' affordability was the objective basis for determining PRH rent, which was adjusted in accordance with extent of changes in PRH tenants' overall household income. That said, it was not possible for the HA to finance its construction programmes by raising rents to unacceptable levels. Apart from PRH rental income, the HA also generated revenue from the Commercial and Home Ownership Assistance Operations; and
- it was the HA's practice to prepare budgets and forecasts on a rolling basis covering the first and the second coming 5-year periods. In response to the Financial Secretary's Budget Speech of 2014, the HA was in the process of conducting an assessment on additional financial resources needed for the next 10 years taking account of revenue increases and cost savings before discussing with the Government on a feasible long-term financial arrangement.

76. At the request of the Committee, **Secretary for Transport and Housing** provided, after the public hearings, further information on the construction expenditure for PRH each year in the past 10 years and the HATPIs over the same period (in *Appendix 12*).

Redevelopment of old PRH estates

77. Redevelopment of old PRH estates offers an opportunity for better utilizing the plot ratio of the sites and providing additional supply of PRH flats. The Committee asked about the HA's plan for implementation of PRH redevelopment projects in future.

78. **Secretary for Transport and Housing** said that:

- according to the Refined Policy on Redevelopment of aged PRH estates, in considering redevelopment of the existing estates, the HA would refer to the findings of the CSI on structural safety and cost effectiveness of repair works, and consider the build-back potential of individual estates as well as availability of suitable and adequate rehousing resources nearby;
- availability of rehousing resources alone could not determine a redevelopment plan. The HA would review the development constraints and opportunities pertaining to individual aged estates, conduct a series of detailed technical studies and liaise with relevant B/Ds on the provision of ancillary facilities such as community, welfare, transport and educational facilities in order to confirm the build-back potential and flat gain as well as feasibility of redeveloping a particular aged estate before preparing an implementation programme;
- these factors might change over time for individual estates. Taking Wah Fu Estate as an example, this estate was considered suitable for redevelopment after the Government decided to partially lift the development moratorium at Pok Fu Lam South and adjacent government sites which could be used as reception resources; and
- as the Director of Audit had rightly pointed out, redevelopment of aged estates would in the short term reduce the public housing stock and generate additional rehousing needs from the affected tenants, resulting in an immediate adverse impact on the AWT for PRH. The HA had to duly take this into account in planning and implementing major PRH redevelopment projects. In this connection, the HA would consolidate the experience from the implementation of the redevelopment of Pak Tin Estate before considering the launch of another redevelopment project.

79. Responding to the Committee's enquiry about the steps to be taken to uphold the quality of surrounding living environment during the redevelopment of PRH estates, **Secretary for Development** replied that:

- in assessing the development potential of redeveloping aged PRH estates, apart from making reference to the Hong Kong Planning Standards and Guidelines, the Government would consider a host of factors including the development restrictions on the statutory plans (such as the maximum plot ratio/total gross floor area, building height and site coverage), development constraints, local context, environmental, traffic, air ventilation and visual impacts of the redevelopment on the surrounding area, infrastructure capacity, the concerns from the local communities, provision of government/community facilities required by relevant government departments/DCs, etc. Where necessary, the PlanD would liaise with relevant B/Ds to explore with the feasibility of permanent and temporary reprovisioning of affected facilities;
- the Government needed to reiterate that the development potential of aged estates was just one of the factors to be taken into account in considering redevelopment programmes. According to the HA's Refined Policy on Redevelopment, in considering redevelopment of the existing estates, the development potential of the sites, structural conditions of the housing blocks, economic viability of repair works and availability of suitable rehousing resources nearby would be taken into account; and
- the HA would conduct various technical studies on the traffic, environment, ventilation, visual impacts, supporting facilities, etc. and consult the relevant government departments to ensure that the public housing development would be compatible with the development of the district concerned and would not compromise the surrounding living environment.

F. Conclusions and recommendations

Overall comments

80. The Committee:

- affirms that as providing public rental housing ("PRH") to low-income families and individuals is one of the most effective means of alleviating poverty and having regard to the long queue for public housing, it is incumbent upon the Hong Kong Housing Authority ("HA") and the Housing Department ("HD") to maintain the average waiting time ("AWT") target of around three years for general applicants on the Waiting List ("WL");
- expresses grave concern that the housing problem of the under-privileged had not been adequately addressed as it should have been due to the failures of the HA and the HD to secure an adequate supply of land for PRH development, maximize the rational utilization of public housing resources, effectively tackle abuse of PRH flats and ensure timely and steady delivery of new PRH flats;
- urges the Government not to repeat its wavering housing policy by taking away 24 sites reserved for PRH development for other uses during the period from 2001 to 2013;
- notes that:
 - (a) the Secretary for Development has undertaken to ensure a steady supply of land to meet the PRH production target at 200 000 flats for the 10-year period from 2013-2014 to 2022-2023; and
 - (b) the Secretary for Transport and Housing has pledged to retain PRH sites for PRH production;
- expects that the HA and the HD will continue to do their utmost to ensure a steady supply of PRH flats so as to maintain the AWT for general applicants of PRH at three years;

Planning for the provision of PRH flats

- notes that as stated in the 2014 Policy Address, the Government has decided to accept the recommendation of the Long-term Housing Strategy ("LTHS") Steering Committee to provide a total of 200 000 PRH units in the coming 10-year period from 2013-2014 to 2022-2023, which is higher than the 10-year production target of 150 000 PRH units from 2003-2004 to 2012-2013;
- considers that despite a higher PRH production target, the HA should maintain the AWT at about three years for general applicants on the WL;

Average Waiting Time

- expresses great dissatisfaction and finds it unacceptable that:
 - (a) since 2012-2013 the HD had ceased to use a statistical model to determine the quantum of PRH production required to maintain the AWT at about three years for general applicants. This model has been replaced by a new methodology adopted by the LTHS Steering Committee for projecting the long-term demand for both private and public housing, without reference to the AWT; and
 - (b) although the AWT is an important benchmark for assessing the timeliness in satisfying PRH demand, the AWT does not reflect the average actual time for PRH applicants to be housed to the PRH. The AWT for general applicants on the WL is defined by the HD as the average of the waiting times between registration on the WL and the first housing offer for all general applicants who were housed to PRH in the past 12 months, excluding any frozen period in between;
- notes that:
 - (a) the Secretary for Transport and Housing has pledged that the HD will continue to strive at maintaining the AWT target at around three years for general applicants, albeit the fluctuations in demand and supply may lead to occasional departure from the target;
 - (b) the HD has been working on the operational details of the annual updating of the long-term housing demand forecast;

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- (c) the HD will keep in view the number of new general applications in a year and the changes in the actual AWT. The HD will also maintain the interchangeability of production between PRH and Home Ownership Scheme ("HOS") flats so that the supply of PRH flats can be adjusted wherever necessary and feasible; and
- (d) the HD had incorporated into the brochure on "Waiting List for Public Rental Housing - Information for Applicants" and the application form the definition and computation method of the AWT for applicants, as well as publicizing the definition and computation method of the AWT on the HA/HD's website to better inform the PRH applicants;

Supply of land

- considers that:
 - (a) the Development Bureau ("DevB") should actively explore ways to ensure a steady supply of suitable land for public housing; and
 - (b) the HA should liaise closely with the relevant bureaux/departments ("B/Ds") to secure sufficient land for the long-term sustainable development of public housing;
- expresses grave dismay and alarm that:
 - (a) whilst the Steering Committee on Land Supply ("SCLS"), chaired by the Financial Secretary, provides the overall steer on land supply-related matters, the task of driving and delivering individual potential sites currently involves different parties and mechanisms such as the Committee on Planning and Land Development, the Committee on Housing Development and the Planning Department-HD Liaison Meeting;
 - (b) the Government had only identified sufficient sites to produce 179 000 PRH flats for the 10-year period from 2012-2013 to 2021-2022. As at January 2014, there was still a shortfall of land to produce the remaining 21 000 PRH flats for meeting the new production target;
 - (c) the new production target of 200 000 PRH flats in the 10-year period from 2013-2014 to 2022-2023 may be changed due to policy change

Planning, construction and redevelopment of public rental housing flats

and various considerations, as evidenced by the fact that the HA had returned 24 PRH redevelopment sites to the Government for other uses during the period from 2001 to 2013. In some cases, the sites returned were eventually sold to developers or converted to other uses. The development costs incurred by the HA were not borne by the Government but had to be written off; and

- (d) despite the Secretary for Transport and Housing's pledge that the current-term Government would retain sites vacated by the demolition of aged PRH estates for redevelopment and the Secretary's power to retain such sites, the HA had returned three PRH redevelopment sites in 2013;
- does not accept the explanation given by the Secretary for Transport and Housing for the HA to return the three PRH redevelopment sites to the Government in 2013 because such return was agreed to by the previous Government in 2005;
- notes that:
 - (a) as at January 2014, some 150 housing sites had been identified to have potential for rezoning and could be made available in the coming five years from 2014-2015 to 2018-2019 for providing over 210 000 housing units, with over 70% of them to be public housing; and
 - (b) with the announcement of the new production target in the 2014 Policy Address, the SCLS would continue to coordinate the efforts of various B/Ds to increase land supply for housing with a view to meeting the target. With the involvement of relevant B/Ds, the SCLS provides a forum for resolving inter-bureau and inter-departmental issues affecting the availability of individual housing sites, such as infrastructure provision, and has been coordinating the overall land supply;
- urges the SCLS to step up its efforts to coordinate the efforts of various B/Ds in making available land for meeting the new PRH production target;
- reiterates the recommendations made in the Committee's Report No. 61 that to maximize the rational utilization of public housing resources, the HA/HD should:

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- (a) expeditiously review the well-off tenants policies with a view to enhancing recovery of PRH flats from well-off tenants for reallocation to more needy families;
- (b) strengthen enforcement actions against the suspected abuse cases of PRH resources;
- (c) step up its efforts to ensure better utilization of "unlettable" flats and higher turnover of "under offer" flats;
- (d) exert greater efforts to ensure that the revised Prioritized Under-occupation ("PUO") threshold is strictly adhered to and the Notice-to-quit is issued against those PUO households who refused four housing offers without valid reasons; and
- (e) better monitor the conversion of Converted One Person and Housing for Senior Citizens Type 1 units into PRH flats;

Financing the new production target

- expresses grave concern that the HA may not have sufficient funds to support its construction programmes for the coming 10 years;
- notes that the HA will discuss with the Government on a feasible long-term financial arrangements, after conducting an assessment on the additional financial resources needed for the next 10 years taking account of revenue increases and cost savings;
- urges the HA to expeditiously come up with a timetable for working out with the Government the financial arrangement for meeting the new PRH production target and consult the relevant Panel of the Legislative Council before implementation;

Management of PRH construction projects

- expresses concern that:
 - (a) in the four years from 2008-2009 to 2011-2012, the 10-year production targets of the HA had remained unchanged at 150 000 PRH flats, despite the increasing projected 10-year demand for PRH (from 151 900 to 186 100);

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- (b) there had been fluctuations in the PRH production from 2003-2004 to 2012-2013 due to policy change and various considerations;
 - (c) the Tuen Mun Area 18 project was delayed because it took the HD a long time to discuss and resolve the demand of the Tuen Mun District Council on the provision of additional community facilities. During the process of the development of PRH projects, it is not unusual that the HD would encounter problems such as objections by the local concerned groups or other stakeholders; and
 - (d) in respect of the six PRH projects planned for completion in 2012-2013, all of them involved project delays of two to seven months and budget revisions. Comparing with the original budgets, variances of 27% to 37% were noted in three of these six projects although their actual/estimated costs were within the approved budgets;
- notes that:
- (a) under the fast-track programme implemented in 2013, the HA has streamlined the construction process to reduce the timeframe for PRH construction from seven years to five years on "spade ready" sites (i.e. sites which have been properly zoned, and which are flat, resumed, cleared and formed with adequate provision of infrastructure);
 - (b) the HD would take measures to expedite the whole construction process without compromising quality and site safety. These include extending the adoption of precast elements to roof and external works including precast parapet wall, water tank and manhole, and conducting a series of upfront measures to avoid the risk of project delays; and
 - (c) the HD staff would actively liaise with all stakeholders to deal with resistance or objections to PRH projects promptly, and to enhance communications with the relevant B/Ds for necessary approval;
- urges the HD to:
- (a) closely monitor the progress of PRH construction projects and implement effective measures to ensure a steady supply of new PRH flats;

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- (b) conduct consultation work with the local communities or other stakeholders as early as practicable and enlist the support of the relevant B/Ds in dealing with objections to the PRH projects where appropriate; and
- (c) enhance its system of budgeting and monitoring of project costs with a view to further improving the accuracy of budgeting for PRH construction projects;

Redevelopment of PRH estates

Comprehensive Structural Investigation ("CSI") Programme

- notes that:
 - (a) since September 2005 the HD has conducted a CSI Programme on ageing estates which are about 40 years old or above and often associate with soaring maintenance and repair costs. For PRH blocks/estates which remain structurally safe, appropriate works would be arranged so that no major structural repairs would be necessary for at least another 15 years; and
 - (b) of the 42 aged estates included in the current CSI Programme from 2005 to 2018, assessment on 16 estates had not been completed;
- considers that for those PRH blocks/estates identified for redevelopment in the next few years, the HD should carry out repair and maintenance works to maintain them in satisfactory conditions until their clearance, instead of maintenance works for at least another 15 years;
- expresses grave concern that the HD may not have sufficient resources to cope with the increasing number of PRH blocks/estates requiring inspection in the next CSI Programme beyond 2018;
- urges the HD to critically assess the resource requirements and plan ahead for the implementation of the next CSI Programme which is expected to start from 2018;

Refined Policy on Redevelopment

- notes that:
 - (a) under the Refined Policy on Redevelopment of aged PRH estates implemented in November 2011, the build-back potential is one of the factors to be considered for the redevelopment of PRH estates; and
 - (b) whilst redevelopment of old PRH estates may increase the supply of PRH flats in the long term, it would in the short term reduce the public housing stock and generate additional rehousing needs from the affected tenants, resulting in an immediate adverse impact on the AWT for PRH;
- expresses grave concern that:
 - (a) up to December 2013, the HD had not completed detailed assessment of the build-back potential of 22 aged estates with CSI completed. These estates will continue to age and maintenance costs are anticipated to rise. It is becoming imperative for the HD to plan for the redevelopment of individual aged estates and make better use of the valuable land resources in existing PRH sites; and
 - (b) there was a lack of coordination within the HD to avoid wastage of resources due to launching of redevelopment plan shortly after the completion of improvement works in an estate (Case 7 in paragraph 4.22 of the Director of Audit's Report ("Audit Report") refers);
- urges the HD to:
 - (a) expedite the detailed assessment of the build-back potential for all aged PRH estates with CSI completed in order to facilitate the future planning for redevelopment of PRH estates; and
 - (b) take measures to enhance coordination within the HD in order to avoid the possible wastage of resources due to launching of redevelopment plan shortly after the completion of major improvement works in aged estates;
- strongly urges the Planning Department and the HD to ensure that relaxation in plot ratio and height restriction of individual PRH sites will not compromise the surrounding living environment; and

Exploring future redevelopment potential

- considers that whilst there is a need to maintain sufficient vacant Interim Housing ("IH") units for accommodating persons affected by disasters and emergencies, the HD should closely monitor the vacancy rates of IH blocks and explore effective measures to make better use of the vacant units.

Specific comments

81. The Committee:

Planning for the provision of PRH flats

Assessment of public housing supply and demand

- expresses great dissatisfaction and finds it unacceptable that:
 - (a) prior to 2013, the HD had used a statistical model to determine the quantum of PRH production required to maintain the AWT of general PRH applicants at about three years. Since 2013, this statistical model has not been used to assess the demand for PRH. Instead, the overall demand for both private and public housing over a 10-year period has been projected and a higher production target of 200 000 PRH units in the coming 10 years is set without reference to the AWT; and
 - (b) based on a PRH demand assessment in February 2012, the HD projected that the AWT for general PRH applicants will reach three years by 2014-2015 and further increase to well above three years;
- expresses concern that:
 - (a) in the four years from 2008-2009 to 2011-2012, despite increasing projected 10-year demand for PRH (from 151 900 to 186 100) based on the long-term housing demand assessments endorsed by the Committee on Housing Development, the 10-year PRH production targets had remained unchanged at 150 000, resulting in projected shortfalls in PRH production against demand forecasts; and

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- (b) with reference to the production target of 200 000 PRH flats for the next 10 years (announced in the 2014 Policy Address), the HD's 2012-2013 PRH production forecast has still fallen short of the new production target;
- notes that:
- (a) the HD has considered the PRH demand within the context of the long-term housing demand assessment as adopted by the LTHS Steering Committee and will continue to do so in its annual updating of the demand assessment, taking into account the latest Government policy changes and the prevailing economic circumstances;
 - (b) the HD undertakes to closely monitor the number of applications on the WL and maintain its objective to provide PRH for low-income families who cannot afford private rental accommodation, with a view to maintaining the AWT for general applicants on the WL at around three years. The development plans for PRH can be adjusted wherever feasible to maintain the target; and
 - (c) the Director of Housing has agreed with the audit recommendations in paragraphs 2.22 and 2.31 of the Audit Report;

Supply of land

- expresses grave dismay and alarm that:
- (a) the Government had only identified sufficient sites to produce 179 000 PRH flats for the 10-year period from 2012-2013 to 2021-2022. As at January 2014, there was still a shortfall of land to produce the remaining 21 000 PRH flats for meeting the new production target;
 - (b) the shortage of land supply for public housing and the long time taken for planning and land development process had posed challenges to both the Government and the HA in meeting the PRH production target in the past, and would pose greater challenges ahead in striving to meet the even higher production target of 200 000 PRH flats in 10 years' time;
 - (c) during the past 13 years, the HA had returned 24 PRH redevelopment sites to the Government for other uses. These sites were already formed and were thus available for immediate PRH

Planning, construction and redevelopment of public rental housing flats

construction. In exchange for some of these sites, the Government provided replacement sites to the HA for PRH development. However, such replacement sites were usually at the early planning stage and might not be immediately available for PRH development;

- (d) returning ready PRH sites to the Government in exchange for sites which take long time to develop will inevitably cause long delays in the PRH supply. The Shui Chuen O Estate at Shatin Area 52 (Case 1 in paragraphs 2.61 and 2.62 of the Audit Report refers) was delayed by 10 years for development into a PRH estate and the Ex-Yuen Long Estate (Case 2 in paragraph 2.61 of the Audit Report refers) will only be developed into a new PRH estate by 2015, 12 years after the old estate was demolished; and
- (e) in some cases, the sites returned to the Government were eventually sold to developers or converted to other uses. The development costs incurred by the HA had to be written off. The development costs for such returned sites written off in 2011-2012 and 2012-2013 totalled \$209 million. Another \$99 million would be required to be written off in coming years;

- notes that:

- (a) the HD will continue to liaise closely with the DevB/Planning Department to secure sufficient number of suitable sites for public housing development; and
- (b) the Director of Housing has agreed with the audit recommendations in paragraphs 2.56 and 2.69 of the Audit Report;

Management of PRH construction projects

- expresses concern that:

- (a) for the PRH construction in Tuen Mun Area 18, it took the HD a long time to discuss and resolve the demand of the Tuen Mun District Council for more community facilities, and obtain the necessary agreement/approval from the relevant B/Ds;
- (b) according to the 2012-2013 public housing construction programme, six PRH projects were planned for completion in 2012-2013 involving the production of 13 114 flats. There had been project

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delays of two to seven months in these six projects. Such project delays, not only affecting the timely delivery of PRH flats which were in great demand, might also cause great inconvenience to the incoming tenants and lengthen their actual waiting time for PRH; and

- (c) all six PRH projects completed in 2012-2013 had involved budget revisions due to changes in construction cost yardsticks, award of contracts, or contract price fluctuations, etc. Comparing with the original budgets, variances of 27% to 37% were noted in three of these six projects although their actual/estimated costs were within the approved budgets;
- notes that:
- (a) during the process of the development of PRH projects, it is not unusual that the HD would encounter problems such as objections by the public or local concerned groups, or construction delays caused by reasons which are very often beyond the control of the HA or the contractors;
 - (b) the HD undertakes to closely monitor the PRH construction projects and take early remedial actions; and
 - (c) the Director of Housing has agreed with the audit recommendations in paragraphs 3.14 and 3.22 of the Audit Report;

Redevelopment of PRH estates

CSI Programme

- expresses grave concern that:
- (a) the HD currently conducts CSI on ageing estates which are about 40 years old or above and often associated with soaring maintenance and repair costs, but such CSIs are conducted for only three to four estates per year. There are 42 estates, built in 1980 or earlier, included in the CSI Programme covering 2005 to 2018 (26 estates completed during the eight years from 2005 to 2013). More estates would likely be included in the next CSI Programme beyond 2018. Moreover, by that time, some of the retained estates of the current CSI Programme would approach the end of the 15-year cycle and thus would require another CSI; and

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- (b) the existing HD resources for conducting CSI may not be sufficient to cope with the increasing number of PRH blocks requiring inspection in future;
- notes that:
 - (a) the HD undertakes to conduct an early review to assess the resource requirements for the CSI and prepare an implementation plan ahead of the next CSI Programme expected to start in 2018; and
 - (b) the Director of Housing has agreed with the audit recommendation in paragraph 4.12 of the Audit Report;

Refined Policy on Redevelopment

- expresses grave concern that:
 - (a) under the Refined Policy on Redevelopment of aged PRH estates implemented in November 2011, the build-back potential is one of the factors to be considered for the redevelopment of PRH estates. Up to December 2013, 22 estates with CSI completed had not been assessed for their build-back potential. Pak Tin Estate was the only estate with CSI completed and identified for redevelopment under the Refined Policy;
 - (b) new lifts at a cost of \$32 million had been installed shortly before the decision was made to launch the redevelopment of Pak Tin Estate, and less than one year after the installation of the new lifts, 94% of the tenants had moved out;
 - (c) some PRH redevelopment sites had been cleared a number of years ago, but were still left undeveloped. An obvious example is the Phases 3, 6 and 7 of Shek Kip Mei Estate (Case 8 in paragraph 4.27 of the Audit Report refers); and
 - (d) from past experience, while redevelopment of old PRH estates might increase the supply of PRH flats in the long term, it would in the short term reduce the public housing stock and generate additional rehousing needs from those displaced tenants who would take priority over those on the WL in the allocation of PRH flats. In general, it would take a long time before the supply of new PRH flats from the redevelopment can be realized;

Planning, construction and redevelopment of public rental housing flats

- notes that:
 - (a) the HD has enhanced coordination within the department so that the redevelopment programme of aged estates will be from time to time made known to the parties handling various programmes of maintenance and improvement works to the concerned estates to enable better planning;
 - (b) under the Refined Policy on Redevelopment, the HD will launch the redevelopment of aged PRH estates on a project-by-project basis. The HD considers it prudent to contain the scale and pace of redevelopment taking into account the availability of reception resources, demand from the general applicants on the WL, and other relevant factors;
 - (c) apart from making reference to the experience of the Comprehensive Redevelopment Programme, the HD will also refer to recent experience gained in the latest redevelopment projects such as Pak Tin Estate as and when appropriate in terms of optimization of the use of land and other resources; and
 - (d) the Director of Housing has agreed with the audit recommendations in paragraphs 4.25 and 4.32 of the Audit Report;

Exploring future redevelopment potential

- expresses concern that as at January 2014, the HA had three IH estates, namely Shek Lei (II) IH, Long Bin IH (to be cleared in January 2016) and Po Tin IH, which provided a total of 4 914 units, but had a vacancy rate of 60%, 40% and 8% respectively;
- notes that the HD will continue to closely monitor the demand and supply of IH units and explore the feasibility of putting them into other beneficial uses;

Way forward

- expresses grave concern that:
 - (a) there has been an increasing demand for PRH flats in recent years. As at end-March 2014, the AWT for general PRH applicants was 3.0 years; and

Planning, construction and redevelopment of public rental housing flats

- (b) there are challenges facing the HA and the Administration in planning, construction and redevelopment of PRH estates for meeting the new production target at 200 000 units and the three-year AWT target; and
- notes that:
 - (a) the Government has accepted the LTHS Steering Committee's recommendation to adopt a higher 10-year target of 470 000 units for new public and private housing supply (with public housing accounting for 60% of this target);
 - (b) the Government will take account of the LTHS consultation report and other views collected during the consultation in formulating the LTHS which is expected to be announced later in 2014; and
 - (c) the Secretary for Transport and Housing has agreed to take on board the audit observations and recommendations in the Audit Report in formulating the LTHS.

Follow-up action

82. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and the Audit Commission.