

Panel on Housing
The Legislative Council
18 July 2001

An update on rent allowance for the elderly scheme

Purpose

The purpose of the paper is to inform Members of the results of the further study on the implementation details of the pilot scheme on rent allowance for the elderly.

Background

2. At the Panel meeting held on 7 May 2001, the Housing Bureau (HB) and the Housing Department (HD) briefed Members on the progress of the feasibility study of rental subsidies. The objective and the initial proposals for a pilot scheme were introduced. The objective of offering rental subsidies was to give the prospective elderly public housing tenants an alternative choice besides the traditional “brick-and-mortar” public rental housing. The provision of rental subsidies was not an interim or a transitional measure. It was an option which allowed eligible elderly households to rent private flats in their preferred districts of residence. A transfer mechanism was also provided for eligible elderly households if they wished to move back to public rental housing after the termination of their tenancy agreements.

3. We also reiterated that the target with regard to the provision of public housing for the elderly would not be affected by rental subsidies. We were moving towards the target of reducing the average waiting time of elderly singletons who wished to live by themselves to two years by 2005.

4. Since the proposals for a pilot scheme presented in the Panel meeting in May were initial conclusions from the feasibility study, we undertook to continue to listen to views of the elderly and members of the public before finalising the implementation details in our further study. The outcome would be reported to Members in due course.

Further study

5. In the further study, the HD focussed on details of the implementation with an aim to develop a pilot scheme which was meaningful and viable to the prospective recipients and was equitable. Where appropriate, we also took into account the feedback and views from stakeholders such as elderly households, concern groups and academics. The stakeholders generally welcomed rental subsidies as an alternative option but were particularly concerned about the rate of the allowance, the arrangement for rent deposits and commissions and the services that could be offered to them if they opted for this option. A summary of their views on the pilot scheme is at **Annex A**.

6. The HD has updated the rate of rent allowance in the further study with reference to latest private rental level in the urban area. For the quota, the HD proposes to review the progress of the scheme, including the quota, in the first quarter of 2002. Also, there will be a flexible arrangement for subsidy recipients with genuine hardship to switch back to public rental housing before the termination of the tenancy agreements. Details of the proposed pilot scheme are at **Annex B**.

Way forward

7. The revised proposal was discussed and endorsed by the Housing Authority's (HA) Rental Housing Committee on 9 July 2001. It will be submitted to the HA for decision on 26 July 2001. Subject to approval, the promotion of the scheme will commence after the HA's endorsement and invitation to apply for the allowance will start in August 2001. The progress of implementation will be reviewed in the first quarter of 2002.

Housing Bureau and Housing Department
July 2001

**Summary of major views expressed by concern groups,
social workers and the elderly during consultation sessions**

Concept of rent allowance

- The rent allowance for elderly scheme (RAES) should only be an additional option for eligible elderly applicants. Public rental housing should be provided to those who still preferred the traditional option.

Quota of rent allowance

- There should be an adequate quota to meet the demand from eligible elderly households.

Level of subsidy

- The elderly thought that the HA would subsidise the difference between the public rental and the private rental level if they opted for the subsidy.
- For the recipients, they had to contribute to the rent on top of the rent allowance.

Assessment of rents

- Some participants queried whether the proposed private rents could allow them to rent properly partitioned cubicles or a small flats in the urban area.

Standard of flats/cubicles

- Some participants expressed that there might be difficulties in renting small cubicles in self-contained flats with a sharing arrangement of up to three households. Most cubicle apartments had been partitioned into four or more rooms.
- Some opined that applicants should also be allowed to rent cubicles from principal tenants.
- Less restrictions should be imposed on the flats/cubicles so that they could rent flats/cubicles easier.

Rent deposit arrangement

- Applicants who were not recipients of Comprehensive Social Security Assistance but had low income and limited asset might encounter difficulties in meeting the estate agent's commissions and the two months' rent deposits.

Transfer arrangement

- Greater flexibility should be allowed in case a RAES recipient chose to switch to public rental housing within the first two-year term.

Services to the elderly households

- A dedicated team could be employed to assist the elderly in identifying suitable premises, matching with sharers, signing up tenancy agreements, arranging house moving, etc.

Other service

- RAES recipients should be given financial assistance in procuring the Emergency Alarm System services.

Proposals for rent allowance for elderly scheme
(New and revised proposals are highlighted in italics)

Target group and eligibility criteria

- elderly Waiting List (WL) applicants registered for at least two years and due for flat allocation
- elderly applicants due to be rehoused under compassionate and compulsory categories such as development clearance and redevelopment
- applicants must fulfill the relevant eligibility criteria for admission into public rental housing (PRH) (see **Appendix 1** for eligibility criteria for WL applicants)

Quota

- in the pilot scheme, there will be a quota of 500, including 250 for WL applicants and 250 for other categories
- interchangeability of quota allowed
- *the HD will review the progress of the scheme, including the quota, in the first quarter of 2002*

Requirement of the accommodation

- located in the Hong Kong Special Administrative Region
- domestic flats with self-contained facilities or rooms with proper partitioning inside self-contained flats
- squatter huts or rooftop structures not acceptable
- flats under any government action regarding building safety or fire hazard not acceptable
- sharing of a flat by a maximum of three households (including the applicant) allowed

- the HD will exercise discretionary authority to approve accommodation which marginally fails the specific conditions

Lease arrangement

- they cannot rent self-owned premises or from direct relatives
- for recipients going for sharing, separate leases must be arranged

Interface with the Comprehensive Social Security Assistance Scheme (CSSA)

- eligible elderly who are receiving the CSSA can also join the RAES
- the Social Welfare Department (SWD) pays relevant rent grants to CSSA recipients first before the HA tops up the balance

Rate of the rent allowance

- *maximum rent allowance for one-person, two-person and three-person households will be \$1,680, \$2,520 and \$3,180 respectively (see **Appendix 2** for details) or 60% of the negotiated rent whichever is lower*

Special grant

- *a one-off special grant equivalent to two months' rent allowance (i.e. a maximum of \$3,360, \$5,040 and \$6,360 for one-person, two-person and three-person households) for non-CSSA recipients. For CSSA recipients, the HA will top up the amount of special grant paid by the SWD. (See **Appendix 3** for details)*
- *elderly households who continue to live in their present accommodation will not be eligible for the special grant*

Emergency alarm system

- *in line with the arrangement for PRH tenants*
- *a one-off installation cost of \$2,500 to non-CSSA applicants who are either aged sixty-five or above or with fifty percent disability if aged below sixty-five*

Initial term and eligibility for renewal

- a RAES term lasts for two years and applicants have to sign a two-year fixed term lease
- may apply for renewal of a further two-year term, subject to passing an income-cum-asset test and not owning any domestic property
- *within one to two times of the prevailing Waiting List Income Limits (WLILs) or Waiting List Asset Limits (WLALs), their allowance will be reduced by half*
- *those recipients with monthly income or assets doubling the prevailing WLILs and WLALs at the termination of the two-year contract will not be eligible for renewal of the allowance*

Addition/deletion of household members

- follow PRH tenancy
- addition/deletion of household members during the lease will have no impact on the rate of the rent allowance during the two-year tenancy agreement period. (The rate will be reviewed with reference to the number of eligible elderly members at renewal.)

Monitoring and checking mechanisms

- live-in requirement and no subletting
- to produce rent receipts for inspection every three months and declare the occupation position at renewal
- HD's Central Investigation Team to conduct random checks

Switching to PRH and application for Subsidized Home Ownership (SHO) Schemes

- may apply for switching back to PRH after the termination of the two-year contract, subject to a six-month advance notice and fulfillment of the prevailing WL eligibility criteria
- may apply for SHO Schemes with Green Form status
- *flexible arrangement for subsidy recipients with genuine hardship to switch back to PRH before the termination of the tenancy agreement*

Studying the feasibility of involving a dedicated service team

- *the HD is studying the feasibility of engaging a dedicated team to deliver services to elderly RAES applicants*

**Eligibility criteria for
elderly applicants on the waiting list**

1. Income and assets of the related elderly families should not exceed the prescribed limits as follows –

| Households size | Income limit | Asset limit |
|------------------------|---------------------|--------------------|
| 1-person | \$6,200 | \$210,000 |
| 2-person | \$11,000 | \$440,000 |
| 3-person | \$13,700 | \$440,000 |

2. The applicant or his/her family members must not own any domestic property during the twenty-four months immediately before registration and during the period before the signing of a tenancy agreement.
3. At the time of allocation, at least half of the family members (including the applicant) must have lived in Hong Kong for seven years and are still living in Hong Kong.
4. All married family members included in the application must apply together with their spouse (divorcee, widow/widower or spouse not residing in Hong Kong excepted).

Proposed rent allowance

| No. of H/H+ Members | Private Rent ^(Note 1) (\$177/m²) | Rent contributed by applicants (\$) (40%) | Maximum rent allowance (\$) ^(Note 2) (60%) |
|----------------------------|---|--|--|
| 1 | 2,800 | 1,120 | 1,680 |
| 2 | 4,200 | 1,680 | 2,520 |
| 3 | 5,300 | 2,120 | 3,180 |

Note (1): The private rent is derived by multiplying the average space allocated to PRH applicants (16m², 24m² & 30m² for one-person, two-person and three person households) and the average rental of \$177/m². (It is the average rental of flats in the urban area within the range of 30 – 39.9m² and is based on the provisional statistics of the Rating and Valuation Department in the first quarter of 2001. The average space quoted above includes the living area and other shared facilities such as toilets, kitchens and circulation areas.)

Note (2): For CSSA recipients, the maximum rent allowance payable by the HA is as follows -

| No. of H/H members | Rent contributed by CSSA scheme (\$) | Maximum rent allowance payable(\$) |
|---------------------------|---|---|
| 1 | 1,505 | 1,295 |
| 2 | 3,030 | 1,170 |
| 3 | 3,955 | 1,345 |

+ H/H means household.

**Special grant payable to
CSSA recipients and non-CSSA recipients**

| Household Size | Maximum amount of special grant payable to non-CSSA Recipients | Maximum top-up amount of special grant payable to CSSA recipients |
|-----------------------|---|--|
| 1-person | \$3,360 | \$2,590 ^(Note 1) |
| 2-person | \$5,040 | \$2,340 ^(Note 2) |
| 3-person | \$6,360 | \$2,690 ^(Note 3) |

Note (1): The special grant payable to CSSA recipients by the SWD is equivalent to two times of the monthly rent allowance, i.e. 2 x \$1,505. The top-up amount is the difference between \$5,600 (two months' full private rent) and \$3,010.

Note (2): The special grant payable to CSSA recipients by the SWD is equivalent to two times of the monthly rent allowance, i.e. 2 x \$3,030. The top-up amount is the difference between \$8,400 (two months' full private rent) and \$6,060.

Note (3): The special grant payable to CSSA recipients by the SWD is equivalent to two times of the monthly rent allowance, i.e. 2 x \$3,955. The top-up amount is the difference between \$10,600 (two months' full private rent) and \$7,910.