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29 June 2002

Clerk to LegCo Panel on Housing
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

(Attn: Ms Becky YU)

Dear Ms Yu,

**LegCo Panel on Housing
Meeting on 4 February 2002**

Rehousing Policy for Residents Affected by Squatter Clearances

At the meeting of the LegCo Panel on Housing on 4 February 2002, Members discussed the rehousing arrangements for squatters affected by clearances and asked us to re-consider exempting clearances from the Comprehensive Means Test. We have reviewed the current arrangements in the light of Members' views. Our response is set out below.

Allocation of Public Housing Resources

The Administration has implemented different subsidised housing programmes to meet the needs of different sectors of our community, including public rental housing, subsidized home ownership and home purchase loans. Different levels of subsidies are attached to different schemes, with public rental housing being the most heavily subsidised. On the basis of prevailing construction costs, the development costs of a public rental housing flat average

at about \$320,000. Moreover, the operation of public rental housing also incurs significant recurrent deficits annually, estimated to be \$1.6 billion in 2002-03. Because of the heavy subsidy involved, it is necessary to ensure that only low-income households who cannot afford private-sector accommodation can gain access to public rental housing. Through the application of the Comprehensive Means Test to all prospective tenants of public rental housing including squatter clearerees, scarce public housing resources can be used more effectively on households in genuine need.

Application of the Comprehensive Means Test to Squatter Clearerees

The provision of public rental housing to squatter clearerees with genuine need for housing assistance is only a rehousing arrangement and not a compensation. Like all other prospective public housing tenants, squatter clearerees must be within the means eligibility limits for allocation of heavily subsidised public rental housing flats. The income and asset limits are derived from a carefully devised mechanism, which had been extensively discussed in the community before implementation. These limits reflect the rental affordability of applicants for public rental housing. Applicants with income or assets exceeding the stipulated limits should be able to afford other accommodation without the need for recurrent subsidy through public rental housing.

Nevertheless, in order to satisfy squatter clearerees' rehousing needs, households not meeting the stipulated income and asset limits will be offered other rehousing arrangements which incur a lesser level of subsidy. Households who exceed the income limit marginally will be offered Housing Society's rental flats, the rents of which are also generally affordable. Households with relatively higher income and assets will be offered priority Green Form status to apply for the Home Ownership Scheme or the Home Purchase Loan Scheme. Households with all members aged 60 or above, even if their income or assets exceed the stipulated limits, will be allocated public rental housing flats on the recommendation of the Social Welfare Department. For households who need more time to arrange their own accommodation, Interim Housing will be offered as a transitional arrangement to meet their temporary housing needs.

Consistent Application of the Comprehensive Means Test

The application of the Comprehensive Means Test to all prospective tenants of public rental housing ensures rational allocation of public housing resources and is also an integral element of our public housing policy. In comparison with some 80 000 applicants currently on the Waiting List, squatters with income or assets exceeding the stipulated limits are already financially better off. In order to ensure that scarce public housing resources are allocated only to those most in need and to safeguard the overall interest of our community, the Comprehensive Means Test must be consistently applied. Our considered view is that this policy should continue for the time being.

Yours sincerely,

(Miss Joey LAM)
for Secretary for Housing

c.c. Director of Housing (Attn: Mr K H LAU)