

**Extracts from the minutes of the meeting
of the Housing Panel held on 3 December 2001**

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IV Review of income and asset limits for public housing applicants

Meeting with the Society for Community Organization

(LC Paper No. CB(1) 429/01-02 (03) -- Submission from the Society)

6. At the Chairman's invitation, Mr PANG Hung-cheong highlighted the salient points in the submission from the Society. He said that despite the fall in property prices as a result of the economic downturn, the rentals of private tenements, including cubicles and bedspace apartments, remained very high and the housing expenditure of some of these residents could reach as high as 25%. If the income and asset limits for the Waiting List (WL) for public rental housing (PRH) were to be reduced, many of these low-income families would become ineligible for PRH. They would have to cut down their expenses in order to cope with the high rentals in the private sector. The proposed reduction would defeat the purposes of public housing of enhancing social stability, improving the living standard of the low income group and facilitating economic growth. Mr PANG also queried the basis upon which the income and asset limits was arrived at. He considered that in calculating the non-housing expenditure, the Administration should take into account the different spending patterns of different PRH applicants. By way of illustration, working singletons had to spend more on travelling than their non-working counterparts while some singletons had to support their families in the Mainland. Mr YAU Kin-ching, Ms LEI King-ying and Ms WONG Choi-wan also expressed grave concern that they would be deprived of the opportunity to improve their living conditions through WL as a result of the reduction of the income and asset limits.

Meeting with the Administration

Review of income and asset limits by the Housing Authority

(LC Paper No. CB(1) 429/01-02 (04) -- Information paper provided by the Administration)

7. The Head, Corporate Strategy Unit (H,CSU) gave a power-point presentation on the review of the income and asset limits for WL and the Home Ownership Scheme (HOS), highlighting the basis upon which these limits were determined, the current review mechanism and the findings of a recent review. He said that these findings would be submitted for consideration by the Rental Housing Committee and the Home Ownership Committee of HA at a joint meeting in early 2002. Subject to their endorsement, the new WL and HOS income and asset limits would be implemented with effect from 1 April 2002.

8. On *WL income and asset limits*, Mr Fred LI enquired about the number of existing PRH applicants who would become ineligible for PRH as a result of the proposed reduction of the WL income and asset limits. He expressed concern that the rent-income-ratio (RIR) of these applicants would surge given the high rentals in the private sector. HCSU advised that about 10 000 applicants would be taken out of the eligibility net for PRH. However, he drew members' attention to the fact that HA had adopted a compassionate approach earlier this year when it reduced the WL income and asset limits by exempting the application of the new limits on those applicants who had successfully gone through the vetting process and were awaiting flat allocation. HA might consider adopting similar arrangements to alleviate the impact should it decide to adjust the WL income and asset limits next year. He said that the RIRs of tenants in the private sector were higher than those in the public sector.

9. Mr LI considered that in determining the WL income and asset limits, the Administration should take into account the plight of those who lived in cubicles in coping with the high rentals and poor living conditions. The Deputy Director of Housing (DD of H) explained that these limits were calculated on the basis of housing expenditure of tenant households in private tenements of comparable sizes to that of PRH flats for different household sizes. In fact, the sizes of private dwellings currently occupied by WL applicants were much smaller and hence the actual rentals paid were much lower.

10. Mr LEE Cheuk-yan cautioned that the proposed reduction of WL income and asset limits would have an adverse psychological impact on social stability, particularly amid the economic downturn. He also considered that the Administration should -

- (a) advise the anticipated increase in burden of rent on existing PRH tenants if the income and asset limits were to be reduced by 17%;
- (b) consider using the median instead of the lower half expenditure group of tenant households in private permanent housing and all households in private temporary housing in calculating the average non-housing expenditure;
- (c) review the current average non-housing expenditure of one-person households which had been pulled down by the inclusion of non-working elderly singletons. Consideration should be given to using different average non-housing expenditure per person for working and non-working singletons; and
- (d) consider including an element of "contingency money" in the income and asset limits.

Mr Frederick FUNG echoed that the Administration should not use the lower 25% of the expenditure group in calculating the average non-housing expenditure. He opined that the use of the lower one-third group was more appropriate.

11. DD of H clarified that in the past, the lower one-third expenditure group had been adopted in the calculation of non-housing expenditure. However, as previous studies indicated that the use of the average of the lower half expenditure group could better reflect the actual spending pattern of the group, this had been adopted since 1997. To facilitate future discussion, the Administration was requested to respond to the points raised by Mr LEE Cheuk-yan in the preceding paragraph.

12. Mr CHAN Kam-lam considered that HA should be sympathetic towards those applicants who had registered on WL for a long time but would become ineligible for PRH as a result of the reduction. He proposed that those applicants who registered on WL for three years or more should be exempt from the application of the new limits. Consideration should also be given to transferring some of these WL applicants to HS which adopted a set of higher income and asset limits than HA. On the other hand, HS should step up publicity on its housing schemes so that PRH applicants would be well informed of the different choices of public housing available. The Deputy Executive Director of the Housing Society (DED/HS) took note of Mr CHAN's views.

13. Mr LEUNG Yiu-chung questioned the need for HA to review the income and asset limits annually. He opined that the review should be conducted less frequently so as to reduce the disturbance to both PRH applicants and sitting tenants. DD of H explained that PRH and HOS applicants were required to undergo a comprehensive means test, covering both income and net assets, and other eligibility criteria laid down by HA to ensure that the scarce housing resources were only allocated to those in genuine need. The WL and HOS income and asset limits were set to cover households which could not afford to rent and buy a reasonable flat in the private sector respectively. As the affordability of applicants would be affected by changes in household income and market conditions, it was necessary for HA to regularly adjust the two sets of limits in order to ensure rational allocation of the public housing resources.

Review of income and asset limits by the Housing Society
(LC Paper No. CB(1) 429/01-02(04))

14. DED/HS highlighted the salient points in the information paper setting out the recent revision of income limits and the application of well-off tenant policy for all rental estates under HS.

15. Mr Fred LI and Mr Frederick FUNG noted that HS had been adopting a set of higher income and asset limits than HA since the rents for HS rental flats were higher than that of HA rental flats. It was therefore unfair for HS to reduce the income limits without adjusting the rents accordingly. They were particularly concerned about the high reduction rate of 40% of the income limit for one-person households. Mr FUNG enquired about the basis upon which the new income limits were arrived at. Expressing similar concern, Mr LEUNG Yiu-chung questioned the rationale for HS to apply the same income limit to families with five to six persons and those with seven persons or more.

16. DED/HS explained that the income limits were set at levels at which rentals would not exceed 20% of the total household income of applicants. Reviews of these limits were conducted annually, but these had been suspended from 1998 to 2000 due to economic downturn. In its review in 2001, HS had progressively reduced the income limits and at the same time adopted the asset limits of HA to take account of the downward movement of property prices and the availability of Government loans to assist people to buy homes. As regards the impact of the reduction on one-person households, DDE/HS advised that the previous income limit for these households was set at a relatively high level. Given the limited number and the low rent of one-person flats, HS had to ensure that these flats were allocated to those in genuine need and hence the greater reduction in the respective income limit. She added that with the relaxation in space allocation standards in recent years, households with five to six persons were allocated flats of sizes similar to those allocated to households with seven persons or more. It was therefore reasonable to apply the same income and asset limits to both types of households.

17. Owing to time constraints, members agreed that a special meeting be held to continue discussion on the subject given its complexity and far-reaching implications. As HA would discuss the proposed reduction in early 2002, Mr CHAN Kam-lam opined that the special meeting should be conducted as soon as practicable so that members' views could be conveyed to HA for consideration well beforehand. Members agreed that the special meeting be held on Thursday, 20 December 2001, at 4:30 pm, and that interested parties and academics be invited to express their views.

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