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HONG KONG HOUSING AUTHORITY

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26 September 2005

Clerk to the Legislative Council Panel on Housing,
Legislative Council Secretariat,
Legislative Council Building,
8 Jackson Road,
Central,
Hong Kong.
(Attn.: Ms. Sarah Yuen)

Dear Ms. Yuen,

Review of Allocation Policy for Non-elderly One-person Applicants

Further to the discussion at the Panel on Housing on 4 July 2005 on the rising trend of non-elderly one-person applicants for public rental housing (PRH), we have drawn up details of the proposed quota and points system for allocating PRH units to non-elderly one-person applicants. These are set out in the paper at **Annex**. We intend to submit the paper to the Subsidized Housing Committee of the Housing Authority for consideration on 29 September 2005. I should be grateful if you could relay the paper to Members of the Housing Panel.

Yours sincerely,

(Tam Wing-pong)
for Director of Housing

THE HONG KONG HOUSING AUTHORITY

Memorandum for Subsidised Housing Committee

Review of Allocation Policy for Non-elderly One-person Applicants

PURPOSE

This paper analyses the rising trend of non-elderly persons applying for public rental housing (PRH) on their own and proposes measures to address the issue.

BACKGROUND

2. Prior to 1985, individuals were generally not allowed to apply for PRH flats on their own. That policy also applied to those affected by clearance operations, who were only allowed to apply for PRH together with other persons on a sharing basis. The restriction was lifted in 1985, mainly in response to demand from the elderly and those affected by redevelopment or living in temporary housing areas. Because of the limited supply of small flats suitable for one-person households at that time, they were mainly allocated with units converted from large units, i.e., the so-called “converted one-person flats”. The advent of Harmony PRH blocks in the early 1990’s has brought about a steady supply of small flats designed specifically for one/two-person households. Nonetheless, the great majority of the small flats were allocated to elderly one-person applicants until recently. For instance, in 1996/97, only 125 units were allocated to non-elderly one-person applicants¹.

¹ One-person applicants refer to those who, at the time of application, indicate that they will be the only persons to reside in the PRH units upon allocation. They may either be married or unmarried. Some may even have children. Many of them are actually living with their family members while awaiting allocation.

RECENT TREND

3. In recent years, there has been a substantial rise in the number of one-person applicants on the Waiting List (WL). As at August 2005, among the 90 900 applicants on the WL, 38 700 (42.6%) were one-person applicants. The table at **Annex A** sets out the proportion of one-person applicants since 1998/99. Among the 32 300 newly-registered applicants in 2004/05, some 14 400 (or 45%) were one-person applicants. The corresponding proportion in 1998/99 was only 21%. 35% of the newly registered one-person applicants in 2004/05 were living in PRH or interim housing. Around 10% of the one-person applicants aged below 35 received tertiary education while only 3% of those aged 35 or above attained similar education level. Some 3% of the one-person applicants aged below 35 were students. It is also of interest to note that according to the data from the Census and Statistics Department (C&SD), the number of one-person households in PRH has been growing at a much faster rate than that in private housing since relaxation of the restriction on one-person households applying for PRH in 1985. The annual average growth rate of one-person households in PRH was 4.7%, well above the average of 1.0% in private housing.

4. Another worth-noting observation is the soaring number of young one-person applicants. The average age of one-person applicants dropped from 55 in 1998/99 to 42 in 2004/05. Among the overall newly-registered one-person applicants, the proportion of those aged below 35 rose from 12% in 1998/99 to 42% in 2004/05 (please see **Annex A**). The proportion of one-person applicants aged below 25 also jumped from 3.8% in 1998/99 to 20.6% in 2004/05. The age distribution of the newly-registered one-person applicants from 1998/99 to 2004/05 are shown at **Annex B**.

5. As regards the actual number of non-elderly one-person applicants re-housed to PRH, it leap-frogged from 125 in 1996/97 to 3 700 in 2004/05. This year's allocation for non-elderly one-person applicants is heading for a record. The latest count is that some 3 900 non-elderly one-person applicants were already re-housed to PRH in the first five months of 2005/06 (April – August). As the current eligibility criteria is based simply on fulfillment of the WL income and asset limits and residence rule, in theory some 90 000 youngsters reaching 18 years old every year would become eligible for PRH. The soaring demand from non-elderly one-person applicants, if unchecked, would undermine the ability of the Housing Authority (HA) to assist families with more pressing need. As many as 3 000 additional PRH units would have to be provided annually to meet the demand from non-elderly one-person applicants, assuming that the rising demand would be halted at its present level.

POSSIBLE FACTORS ACCOUNTING FOR THE RISE IN NON-ELDERLY ONE-PERSON APPLICANTS

6. In this year's survey on WL applicants, we have asked the non-elderly one-person applicants the reasons why they applied for PRH. Amongst the most commonly cited reasons include-

- (a) 'want to live on their own' (50% of total number of applicants; 72% amongst those aged between 18 – 25);
- (b) 'present accommodation is small' (48%); and
- (c) 'there are many benefits being a PRH tenant' (39%).

7. In contrast, only 16% of the respondents cited "rent of present accommodation is high" and "poor living conditions of present accommodation" as the reasons. Some 15% of the respondents said that they applied for PRH because of "unemployment/decline in income".

8. Apart from the findings of the above survey, we believe much shortened waiting time and improved standards of the PRH units are amongst other plausible underlying factors accounting for the substantial increase in the number of non-elderly one-person WL applicants in recent years.

THE REVIEW

9. Under the existing policy, housing needs of the WL applicants are established by way of the WL income and asset limits. Households with income below the WL income and asset limits are deemed unable to afford private rental accommodation and hence warrant the HA's assistance. While this simple criterion to vet the eligibility of WL applicants has by and large been working well, the matter at issue is whether, in competing for limited public housing resources, all the non-elderly one-person applicants should be given the same priority on a first-come-first-serve basis; and whether the HA and the community at large could afford to satisfy the demand from non-elderly one-person applicants according to the three-year pledge. We believe the following considerations are relevant.

Housing Need

10. Among the non-elderly one-person applicants aged below 60, 92% are currently living in self-contained flats with toilets and kitchens. About

76% of them are taking up the entire flat either on their own or with their families. The corresponding figures for applicants aged below 35 are even higher, at 97% and 82% respectively. As noted in paragraph 3 above, about 35% of one-person applicants are living in PRH or interim housing. In addition, 57% of the non-elderly one-person applicants are currently living with their families. For those aged below 35, the corresponding proportion is 70%. It is only upon allocation of PRH units that these applicants will move away from their families and become bona fide one-person households. The average living space of one-person applicants aged below 35 is approximately 9.94m² Saleable Area (SA), or 8.6m² Internal Floor Area (IFA), exceeding the upper-tier PRH allocation standard of 7.0m² IFA.

11. Given that most of the non-elderly one-person applicants are living with their families in accommodation of acceptable conditions, it begs whether there is a pressing need to re-house all of them to PRH on a first-come-first-serve basis according to the three-year pledge.

Income Profile

12. Income of young people is in general lower than those in their 30's or early 40's. The chart at **Annex C** gives the income profile of the working population according to their age group. As most of the young people are at the early stage of their career development, many of them have income below the WL income limit and are eligible for PRH should they choose to live away from their families. However, there is a distinct possibility that young persons can improve their living conditions through future income growth. It is for consideration whether they should be provided with housing subsidies at such an early stage.

Cost-effectiveness

13. The cost of providing accommodation for one-person applicants is substantially higher than that for households comprising two or more persons. This is mainly because in terms of floor area per person, small flats suitable for one-person applicants are much larger than flats designed for family applicants. It costs roughly \$170,000 to construct a new PRH unit for one-person households. The per capita cost of units designed for two-person and four-person households is in the region of \$120,000 and \$100,000 respectively². Given the current stringent financial situation of the HA, we have to re-think carefully whether limited public resources should be utilized in a more cost-effective way.

² The per capita cost is calculated based on the average area (IFA) per person allocated to two-person and four-person households in 2001/02 to 2003/04 which is 12.41 m² and 9.87 m² respectively.

POSSIBLE IMPROVEMENT OPTIONS

14. In the course of consulting the interested parties on whether and, if so, how we should deal with the upsurge in demand for PRH from non-elderly one-person applicants, we have mooted the following four possible options-

- (a) prohibiting non-elderly one-person applicants living in PRH or other subsidized housing from applying for PRH;
- (b) setting an age restriction for non-elderly one-person applicants (for instance, only allow those applicants aged 35 or above to apply);
- (c) setting an annual quota of say, 1 000 to 2 000 PRH flats, for non-elderly one-person applicants; and
- (d) setting an annual quota for non-elderly one-person applicants and establishing a points system to accord priority to applicants of higher age.

15. We consulted Members of the HA and this Committee, academics and other interested parties on the above possible options. The majority of them accepted the need to rationalize and re-prioritize the allocation of PRH units to non-elderly one-person applicants. Many of them were not in favour of Options (a) and (b) which debar certain categories of individuals from applying PRH. While the proposed quota system under Option (c) could reduce the number of PRH units allocated to non-elderly one-person applicants, it falls short of establishing a system that allows for priority allocation to those in greater need. Most of our interlocutors preferred Option (d), i.e. setting an annual quota with a points system, which can effectively control the demand from non-elderly one-person applicants while enabling the HA to re-house non-elderly one-person applicants on a limited scale and give priority to those of higher age.

PROPOSED QUOTA AND POINTS SYSTEM

Principles and Objectives

16. In devising the proposed quota and points system (QPS) for the non-elderly one-person applicants, we believe the following principles and objectives are relevant-

- (a) it should only apply to non-elderly one-person applicants;

- (b) it should be simple, readily understood by the applicants and easy to administer;
- (c) priority should be given to applicants of higher age;
- (d) applicants living in PRH should be accorded lower priority on account of the fact that they are already receiving public housing subsidies; and
- (e) the points system should be designed in such a way that any adverse impact on the average waiting time of applicants of higher age should as far as possible be minimized.

Allocation Quota

17. It is suggested that the annual allocation quota for the non-elderly one-person applicants be set at around 1 000 to 2 000 PRH flats. Actual quota will be determined together with the other allocation categories when mapping out the yearly PRH allocation plan taking account of the prevailing PRH supply.

Points System

18. We propose to assign points to the applicants based on the following two factors-

- (a) age of the applicants at the time of submitting the PRH applications; and
- (b) whether the applicants are PRH tenants.

In brief, zero point will be given to applicants aged 18. Three points will be given to those aged 19; six points to those aged 20 and so forth. For applicants living in PRH (including those living in rental housing operated by the Housing Society), 30 points will be deducted. Details on the proposed assigning points system are as follows-

Factor	Points	
(i) Age	<u>Applicant's age</u>	<u>Points</u>
	18	0
	19	3
	20	6
	:	:
	24	18
	:	:
	35	51
	:	:
	50	96
:	:	
57	117	
(ii) PRH tenants	- 30	

* Applicants aged 58 or above are deemed as “elderly” applicants for whom our pledge on average waiting time is two years.

19. Conceptually, for one additional point received, the concerned applicant could be deemed as having waited on the WL for one more month. The relative priority of the applicants on the WL will be determined according to the points he/she receive. The higher the number of points accumulated, the earlier will the applicant be offered a PRH flat.

20. Apart from age and whether the applicants are PRH tenants, we have examined other possible criteria for devising the proposed points system. These include, inter alia, the applicants' living conditions, state of health, income level, whether they are students or living on their own. We have reservation on incorporating these additional criteria largely because they incur high administrative cost or lack objective basis to determine how points are to be assigned. Details of our assessment are at **Annex D**.

POTENTIAL IMPACT ON NON-ELDERLY ONE-PERSON APPLICANTS

21. Introduction of the proposed QPS will inevitably impact on the waiting time of the non-elderly one-person applicants. It is hard to give a concrete assessment of the exact magnitude of the impact, which is affected by a combination of a host of factors. These include-

- (a) the amount of quota allocated to non-elderly one-person applicants each year;
- (b) age of the applicants;
- (c) proportion of the applicants who are PRH tenants;
- (d) number of applicants switching to the queue for family applicants comprising two or more persons;
- (e) number of applicants dropping out of the WL due to failure in complying with the “Comprehensive Means Test” (CMT); and
- (f) whether the introduction of the proposed QPS would result in greater or smaller number of non-elderly one person applicants registering on the WL.

22. Nonetheless, as a very broad brush estimate, we reckon that under the QPS the waiting time for applicants aged 40 or above is expected to be kept at around three years on average. The waiting time for young applicants will inevitably be longer. As the possibility of them switching to the queue for family applicants or failing to meet the income criteria increases with their waiting time, any meaningful assessment of their likely waiting time at this stage is fraught with difficulties.

IMPLEMENTATION DETAILS

Arrangements for applicants already registered on the WL

23. For those applicants who have passed the CMT before endorsement of the proposed QPS by this Committee (i.e. on or before 29 September 2005), it is proposed that they should be exempt from the application of the QPS. As at August 2005, among the 34 600 non-elderly WL one-person applicants, some 4 800 have passed the CMT. For the remaining applicants who have not undergone the CMT, points will be allotted on the basis of their age and whether they are PRH tenants at the time of submission of applications. Their position on the WL will be re-prioritized according to the points received and their actual waiting time. As regards applicants residing in PRH, it is proposed that they should be given a grace period of three months to decide whether they would cancel their tenancy in PRH to avoid having their points deducted.

Setting the annual quota

24. It is proposed that the annual quota for non-elderly one-person applicants be determined when drawing up the yearly PRH Allocation Plan starting from 2006/07 onwards. The actual number of quota will be contingent upon the supply of PRH flats and the demand from other sources. We reckon that we could afford to set the annual quota at around 1 000 to 2 000 without increasing the PRH production level. This size of quota is also broadly equivalent to the annual average of PRH units allocated to non-elderly one-person applicants over the past decade. To develop a more systematic basis for determining the actual number of quota, consideration could be given to setting the quota at, say, 10% of the total number of PRH units available for allocation to WL applicants in that year.

One-person applications switching to family applications

25. Under the existing policy, one-person applicants switching to family applications comprising two or more persons can carry half of their waiting time accumulated subject to a maximum limit of three years. To prevent young people from registering on the WL early with a view to cutting short their waiting time upon switching to family applications, it is proposed that the maximum waiting time that can be carried be reduced from three to 1.5 years.

Family applications switching to one-person applications

26. Some of the family applicants may switch to one-person applications owing to change in family circumstances, e.g. divorce, death of spouse, etc. These applicants will be subject to the QPS immediately upon switching. Points will be calculated according to the age of the applicants at the time of submitting their original family applications. As these applicants are likely to subject to a longer waiting time upon switching, it is recommended that their accumulated waiting time can be carried in full. Again, for incumbent PRH residents, a grace period of three months would be granted so that they can decide whether to cancel their PRH tenancy in the light of their own circumstances.

Arrangements for beneficiaries of other subsidized home ownership schemes

27. Under existing policy, beneficiaries of various subsidized home ownership schemes, including Home Ownership Scheme (HOS), Home Assistance Loan Scheme (HALS) and Tenants Purchase Scheme (TPS), etc., must have their household membership records deleted before registering on the

WL. We propose to continue with the present arrangement.

Calculation of the overall average waiting time

28. Introduction of the proposed QPS will inevitably lengthen the average waiting time for non-elderly one-person applicants beyond three years. If we are to maintain the overall average waiting time for all WL applicants at around three years, we have to substantially shorten the waiting time for family applicants to below three years. To do so would require construction of additional PRH units. Resource implications aside, it would effectively lift Government's and the HA's commitment on average waiting time to below three years for family applicants. As it is not our intention to further shorten the pledge an average waiting time to below three years, it is proposed that in calculating the overall average waiting time for PRH, the waiting time of the non-elderly one-person applicants should be excluded.

OTHER RELATED ISSUES

29. In the course of our consultation with the interested parties, our interlocutors have flagged up a number of issues which need to be addressed separately. These include-

- (a) *arrangements for overcrowding relief and internal transfer* – quite a few of our Members and other commentators hold the views that one of the reasons why youngsters living in PRH choose to apply for another PRH unit on their own and live away from their family is the difficulties for the whole family to apply for transfer to improve their living conditions. Over the years, the HA has devoted considerable resources to launch internal transfer exercises to enable existing tenants to move to larger flats. Some 36 500 families benefited from either the overcrowding relief or internal transfer schemes over the past five years. Nonetheless, we accept that there is scope to improve the operation of these transfer schemes and would revert to Members in due course.

- (b) *flat design for one-person households* – at present the smallest flat types in Harmony Blocks are designed for one/two-person households. At around 17.9 m² IFA, these units are self-contained with toilets and kitchens. Questions have been raised as to whether a new flat type, including the possibility of providing “dormitory” type of accommodation, should be developed to cater to the needs of one-person households. We accept that there is a

case for review and we are now looking into the matter.

RECOMMENDATIONS

30. Members are invited to endorse the following-
- (a) the proposed quota and points system for non-elderly one-person applicants set out in paragraphs 16 to 18; and
 - (b) the proposed implementation details set out in paragraphs 23 to 28.

LEGAL IMPLICATIONS

31. Our legal adviser has advised that the proposed QPS for non-elderly one-person applicants should not constitute direct discrimination under the various discrimination ordinances. In devising the QPS, we have mulled over all the relevant considerations carefully and taken the necessary steps to ensure that the proposed measures are necessary, rational and proportionate to the problem we face. That said, the possibility of a legal challenge against the QPS cannot be excluded.

FINANCIAL AND STAFFING IMPLICATIONS

32. The computer system has to be enhanced to facilitate implementation of the QPS. A lead time of about five months will be required to effect the enhancement. The cost is estimated to be in the region of \$150,000. Additional workload arising from implementation of the QPS will be absorbed by the existing staff. Should we maintain the status quo and continue to allocate PRH units to non-elderly one-person applicants on a first-come-first-serve basis at an average waiting time of three years, we reckon that some 3 000 additional units would have to be provided annually assuming that the current level of demand will stay as it is and would not continue to rise. The estimated construction cost is in the order of \$0.51 billion per annum.

PUBLIC REACTION AND PUBLICITY

33. The drastic surge in the number of young one-person applicants has aroused considerable public concern. Many frets that the cost of satisfying in

full the huge demand from young one-person applicants could all but devour the HA's resources. Our proposal for adopting the QPS to limit and re-prioritize the allocation of PRH units to non-elderly one-person applicants has attracted wide media and public airing. The majority of the commentators and the parties we consulted are in favour of the proposed QPS which seeks to rationalize the use of limited public housing resources. A few have expressed reservation on the proposal, mainly on equality and discrimination grounds. Individuals affected by the QPS may protest against the scheme. For those applicants of higher age, they may welcome the QPS which gives them priorities in flat allocation. We have consulted the Equal Opportunities Commission (EOC), which has noted the underlying rationale of the proposed QPS.

34. A press release will be issued to announce the details of the proposed QPS for non-elderly one-person applicants. We will stress, as a core part of our publicity, the overriding need to introduce effective measures to cope with the momentous rise in the number of young individuals applying for PRH on their own, lest the HA's ability to assist families in greater need would be undermined. The affected applicants will also be informed individually of the new arrangements in writing.

DISCUSSION

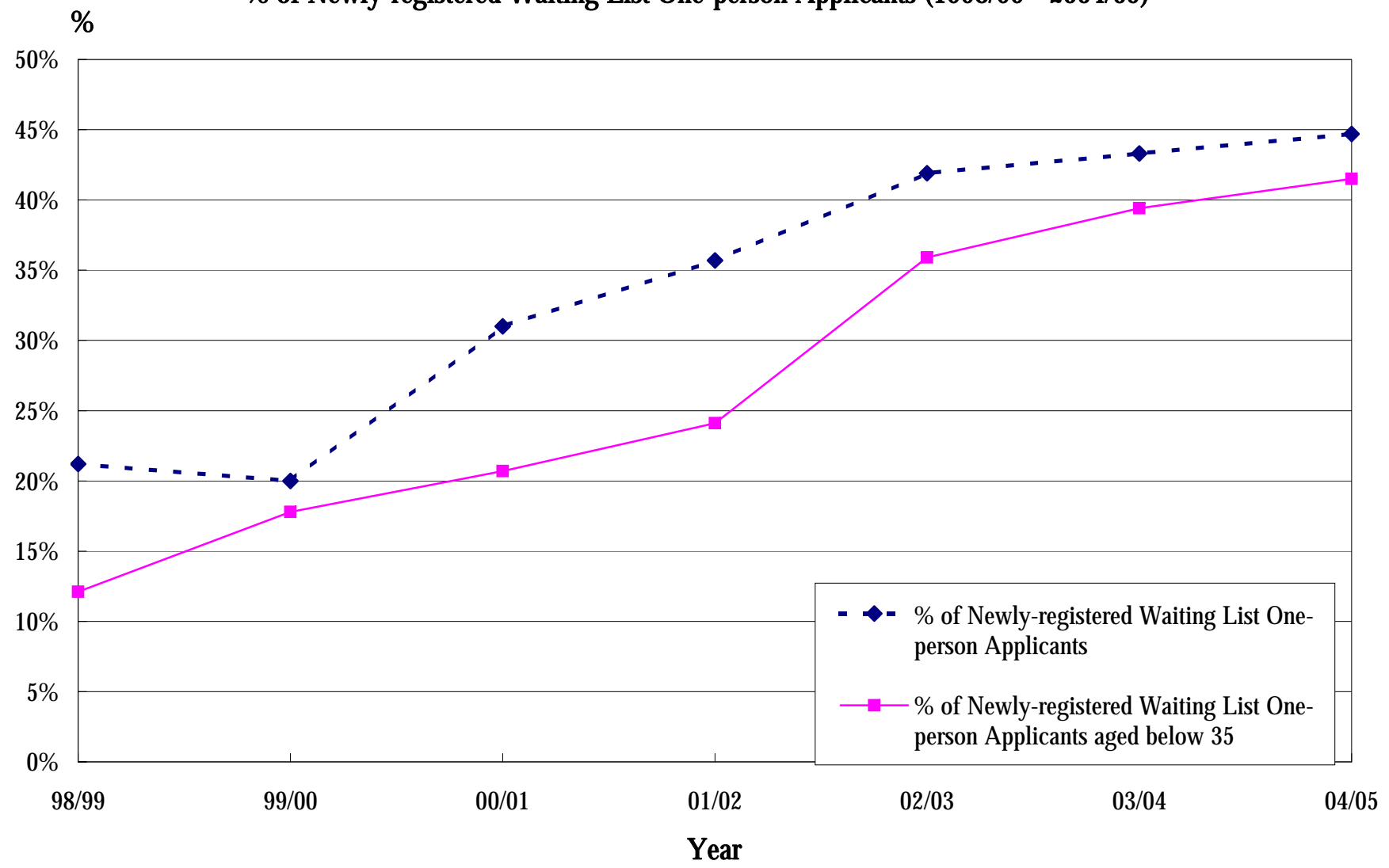
35. At the Subsidised Housing Committee meeting to be held on 29 September 2005, Members will be invited to discuss and endorse the recommendations set out in paragraph 30.

Miss Elisa TSUI
Secretary, Subsidised Housing Committee
Tel. No.: 2761 6834
Fax No.: 2761 0019

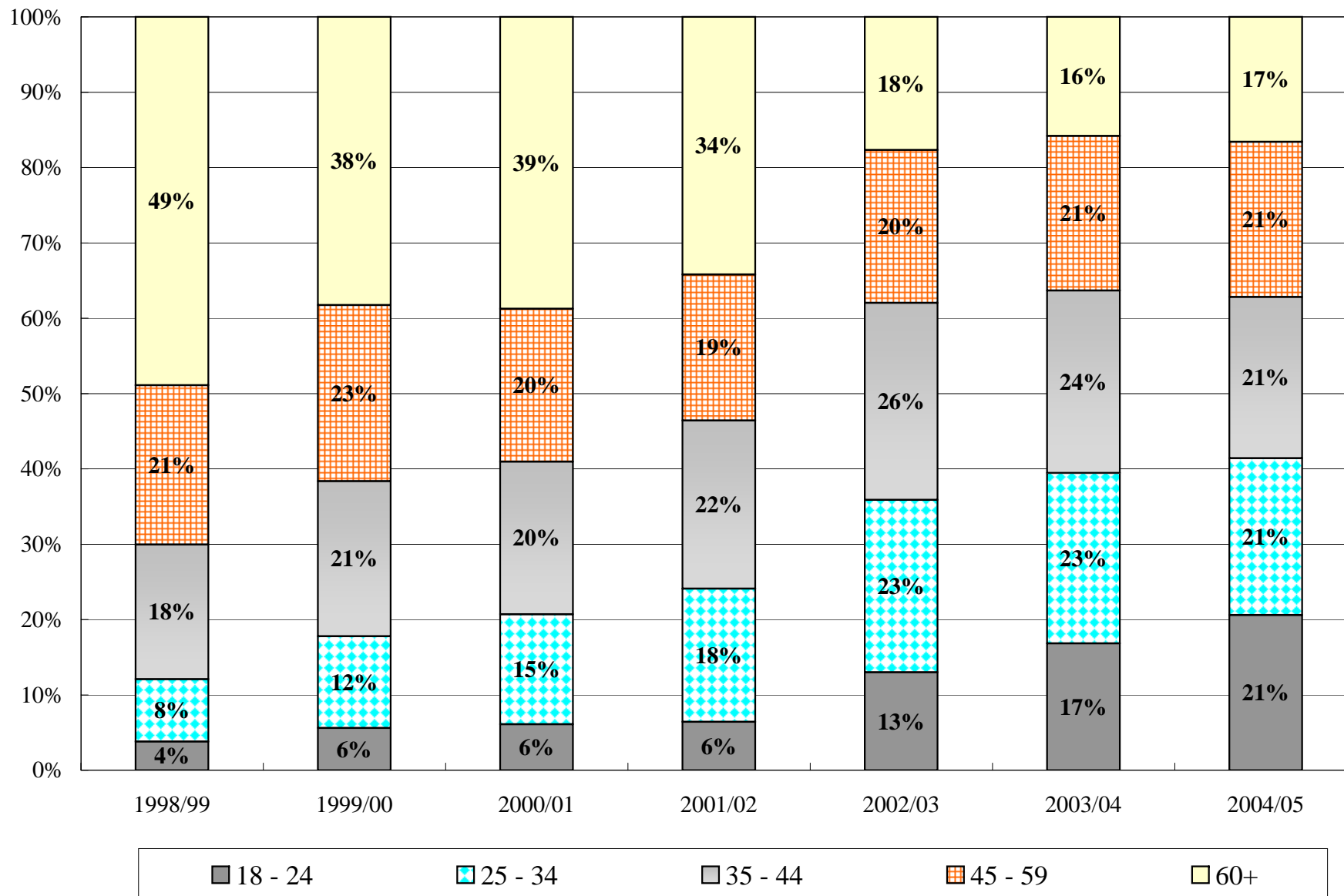
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(Strategy Division)

Date : 26 September 2005

% of Newly-registered Waiting List One-person Applicants (1998/99 - 2004/05)

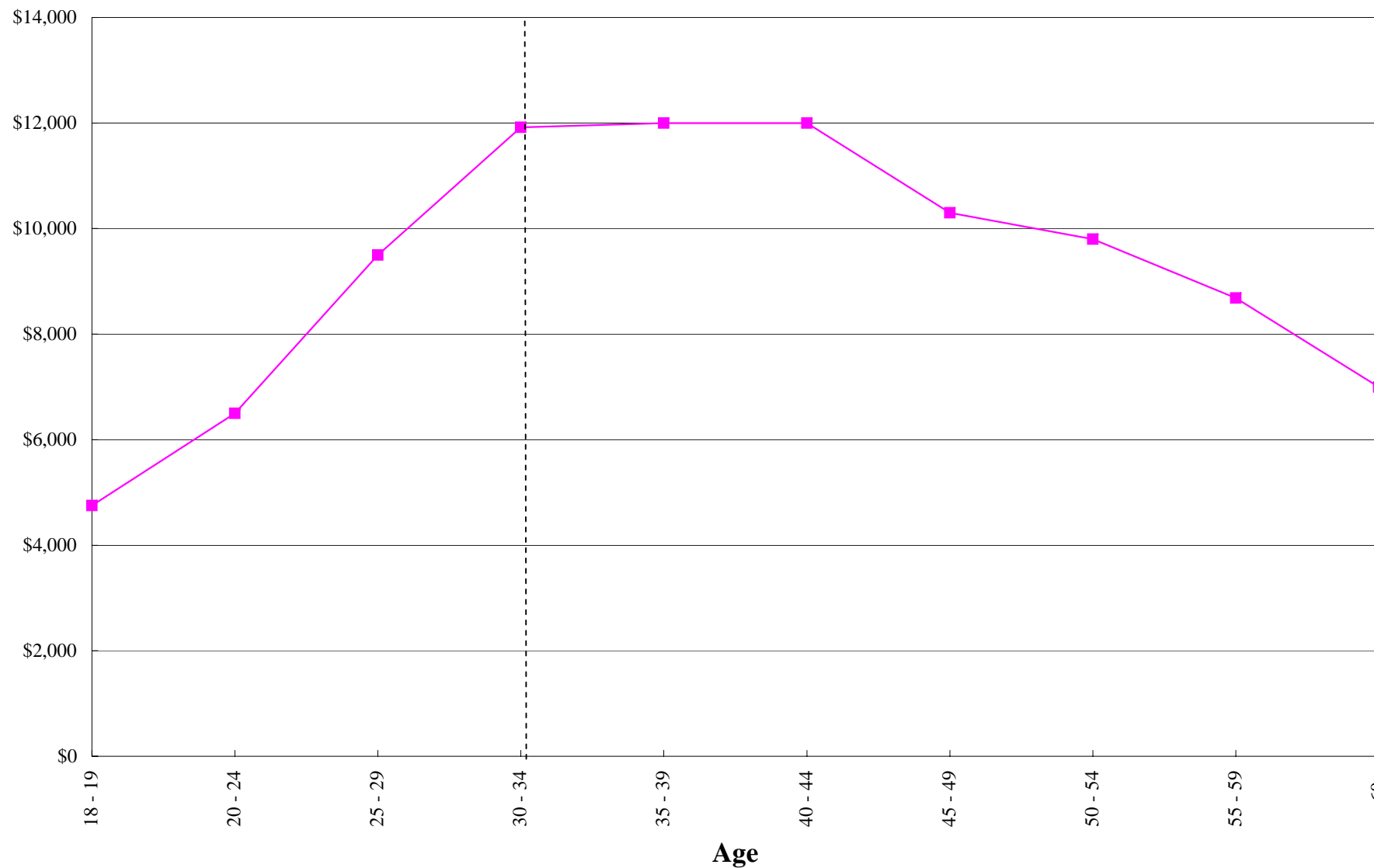


Age Distribution of Newly-registered Waiting List One-person Applicants



Median Income of all Population in HK aged 18 and above (Exclude non-income earner)

Monthly median income



Other Possible Criteria for the Points System

Factors	Considerations
1. Living Conditions	<ul style="list-style-type: none"> ➤ It is difficult to develop objective criteria for assigning different points to applicants with different living conditions ➤ Home visits would be required to verify the living conditions of the applicants, which would be costly and difficult to implement ➤ Prior to 1984, the HA did practice similar system to determine the eligibility of PRH applicants, which was proved to be unworkable and abolished in 1984. Based on past experience, it is roughly estimated that a team of 50 Housing Officers and 10 Assistant Housing Managers are required to enforce such a system, with estimated staff cost amounts to about HK\$20 million per annum
2. Health Conditions	<ul style="list-style-type: none"> ➤ Again there are no objective criteria for setting points for applicants with different health conditions ➤ Re-housing needs of individuals with medical and social problems can be taken care of through Compassionate Re-housing
3. Income Level	<ul style="list-style-type: none"> ➤ Frequent variation of applicants' income would pose great difficulties in devising a points system based on income level ➤ A major drawback of adopting income level as a criterion is that students with no income or youngsters with low income may get the highest points under the system. It is for consideration whether they are the most deserving group for PRH

<p>4. Whether the applicants are students</p>	<ul style="list-style-type: none">➤ Views are divided on whether students should be allowed to apply for PRH. Some hold the views that they are still young and should live with their families while others consider that students should not be penalized as long as they satisfy PRH application criteria
<p>5. Whether the applicants are bona fide one-person households</p>	<ul style="list-style-type: none">➤ For those WL 1-P applicants who are current living with their families, they are not ‘genuine’ one-person households. Arguably they should have relatively less imminent housing need and consideration should be given to deducting points for these applicants➤ However, verification of the applicants’ ‘genuine’ one-person household status would be extremely difficult