

## **Legislative Council Panel on Housing**

### **Review of Public Rental Housing Rents**

#### **PURPOSE**

This paper informs Members of the latest position regarding the rent review conducted by the Housing Authority (HA) pursuant to the order made by the High Court in July 2003.

#### **BACKGROUND**

2. In 2002, two public rental housing (PRH) tenants applied for judicial review (JR) of the HA's decisions to defer reviewing the rents of the PRH estates since 2000. On 11 July 2003, the Court of First Instance of the High Court ruled in favour of the applicants. In the Court Order delivered on 12 August 2003, the High Court directed the HA to “forthwith review and determine the variation of rents of the class (or batch) of public housing units to which the applicant’s public housing unit is part, according to the true meaning and effect of Section 16(1A), Housing Ordinance (Cap. 283)”<sup>1</sup>. The HA lodged appeals against the High Court's ruling. It further applied for a stay of execution of the Court Order pending outcome of the appeals. On 26 August 2003, the High Court granted the stay which was, however, conditional upon the HA undertaking to review and determine the variation of rents of the concerned public housing units.

#### **RENT REVIEW**

3. In compliance with the Court Order, the HA carried out a rent review in March earlier this year for 547 697 PRH units due for review in 2003/04 under a three-year rent review cycle. It examined different options for adjusting PRH rents to bring the median rent-to-income ratio (MRIR) down to 10% or below. Having carefully considered the pros and cons of different options and the views of the community, the HA came to the conclusion that the most viable option was to waive the rents of all households receiving Comprehensive Social Security Assistance (CSSA) and reduce the rents for other non-CSSA households by 10%. If implemented, this rent review option

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<sup>1</sup> This full text of the Court Order is as follows -

“Without prejudice to the Respondent’s right to conduct the rent review ordered by the Court in the same manner as the Respondent has adopted in previous rent reviews, the Respondent do and is hereby commanded to forthwith review and determine the variation of rents of the class (or batch) of public housing units to which the applicant’s public housing unit is part, according to the true meaning and effect of Section 16(1A), Housing Ordinance (Cap. 283).”

would bring about a revenue loss of \$2.52 billion to the HA in the first year and \$7.76 billion over the next three years. As the Social Welfare Department (SWD) can reduce the rent allowance payable to CSSA recipients following the HA's rent waiver, the net revenue loss to the public purse is expected to be smaller at \$0.74 billion in the first year and \$2.42 billion in the next three years<sup>2</sup>.

4. Whether and when the proposed rent reduction is to be implemented would be dependent on the results and timing of conclusion of the appeals. In the event that the HA fails in the appeals and has to implement the proposed rent reduction, one month notice would be given to the affected tenants in accordance with the tenancy agreement. The HA would also honour its undertaking to refund the applicants of the JR cases and all other PRH tenants affected by the Court Order the difference between the rents at the existing levels and the reduced rents together with interest. According to the decision taken by the HA in 1999 that rent reviews should take effect on 1 December, the date for calculating the refund and interest payable would be 1 December 2003.

## **LATEST DEVELOPMENTS**

5. The Court of Appeal heard the HA's appeals on 20 and 21 April 2004. We are still awaiting the Court of Appeal's ruling. In the meantime, the HA is liaising closely with SWD on the implementation details of waiving the rents of CSSA households.

## **INFORMATION**

6. Members are invited to note the latest position with respect to the rent review conducted by the HA in March 2004 set out in paragraphs 3 to 5 above.

Housing, Planning and Lands Bureau  
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<sup>2</sup> The figures were estimated based on the number of CSSA households in PRH as indicated in the General Household Survey conducted by Census & Statistics Department in 2Q 2003. Actual loss will depend on the number of CSSA households at the time of implementation of the rent waiver and reduction.