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Panel on Housing
Meeting on 17 March 2006

Background brief
on income and asset limits for Waiting List applicants
for public rental housing

Purpose

This paper sets out the background of the review of income and asset limits for Waiting List (WL) applicants for public rental housing and summaries the major concerns expressed by members of the Panel on Housing (the Panel).

Background

2. It has been an established policy of the Housing Authority (HA) to review annually the WL income and asset limits for public rental housing (PRH). The objective is to ensure that PRH is only available to those in genuine need, i.e. those who cannot afford renting accommodation in the private market. As at 31 March 2005, there were about 91 000 applicants on the WL for PRH.

Mechanism for setting WL income and asset limits

3. The operation of the mechanism for setting the WL income and asset limits for PRH embraces essentially a “household expenditure” approach. In gist, the “household expenditure” approach consists of housing costs and non-housing costs –

- (a) housing costs covers rent payment, rates and management fees of private flats of sizes comparable to the average size of PRH flats allocated to WL applicants in the past three years; and

- (b) non-housing costs refer to the average household expenditure of the lower expenditure group amongst non-owner-occupied households in the private sector.

4. Before April 2002, the WL income limits for different household sizes were the respective sums of the above two major cost items. The WL asset limits are set at levels for households to finance the housing cost of renting private flats for six years. The latest available statistics as of the fourth quarter of the previous year are used in each annual review exercise.

Review of the mechanism

5. The WL income and asset limits were frozen for 1999-2000 and 2000-01. Following the annual review in February 2001, the HA decided to reduce the income and asset limits for WL applicants by 7.5% and 6.5% respectively to reflect the sharp decrease in rental, property prices and general prices levels. The decision sparked off grave public concern. Members of the Panel held several meetings to discuss the issue. Members queried the integrity of the prevailing mechanism for setting the limits. The Panel passed a motion on 5 March 2001 expressing regret to HA in respect of its decision to reduce the limits. The wording of the motion is in **Appendix I**. To address members' concern, the Administration undertook to review the mechanism before setting the limits for 2002-03.

6. The Administration briefed the Panel on the initial findings of the review on 3 December 2001. The majority of the findings were in relation to the income and asset limits for Home Ownership Scheme. As regards the WL income and asset limits for PRH, the Administration sought members' views on the following major considerations –

- (a) whether differential unit rents for the respective household size should be adopted instead of using a single unit rent for assessing the household expenditure;
- (b) whether the WL asset limits should be set with reference to the amount of money required for a household to rent a private flat for six years; and
- (c) whether the income and asset limits derived from the agreed formula should be strictly adhered to.

7. The Panel held four meetings from December 2001 to February 2002 to examine the subject including receiving six deputations. Having considered the views of deputations, the Panel made several proposals concerning the mechanism for determining the WL income and asset limits for PRH as

follows –

- (a) the rent for flats of sizes below 20 square metres and bedspaces be included in the calculation of housing expenditure;
- (b) the rental expenditure per square metre be calculated according to household sizes;
- (c) an element of “contingency money” equivalent to 10% of the household income be included in the calculation of non-housing expenditure; and
- (d) the average of the second lowest quarter expenditure group, i.e., only the 26-50% of the expenditure group, be used as the basis for calculating non-housing expenditure.

8. The Panel passed a motion in this regard at the meeting on 7 January 2002. The wording of the motion is in **Appendix II**. To reiterate the views of members, the Panel passed another motion with similar wording at the meeting on 25 February 2002. The wording of the motion is in **Appendix III**. Members also requested that any decision to lower the income and asset limits should only apply to applications submitted after the promulgation of the new policy.

9. On 28 February 2002, the HA adopted a series of measures to rationalize and relax the mechanism and formula for assessing the WL income and asset limits. These include, amongst others, the use of the higher differential unit rents where applicable to assess the housing expenditure, the exclusion of the expenditure pattern of the elderly and non-working households when deriving the non-housing expenditure, and the provision of a 5% contingency allowance in calculating the WL income limits. These measures are consistent with some of the proposals made by the Panel. The details of the improvement measures are set out in **Appendix IV**.

Adjustments to WL income and asset limits

10. Thereafter the WL income and asset limits were adjusted in accordance with the revised formula approved by the HA. Owing to the fall in the rental levels in the private market and the Consumer Price Index, the WL income and asset limits were reduced annually from 2001-02 to 2004-05.

11. To minimize the impact of the reduction of the income and asset limits on the applicants already on the WL, the HA adopted the following arrangements since 2002 –

- (a) applicants on the WL who have gone through the vetting stage by 31 March of the year would be exempted from the application of the reduced limits to take effect from 1 April; and
- (b) applicants who fail in the income and asset test but subsequently become qualified under the prevailing eligibility rule as a result of income/asset limits revision or substantiated changes in family circumstances could reinstate their original PRH applications within two years.

12. Notwithstanding the above arrangements, members of the Panel remained concerned that any reduced income and asset limits would inevitably remove a certain number of persons already on the WL for PRH. Moreover, the Administration had not taken on board all the proposals made by the Panel to improve the formula in setting the income and asset limits as summarized in paragraph 7 above. Over the past few years when the Administration consulted the Panel on the proposals to reduce the WL income and asset limits for PRH, motions were passed urging the HA not to effect the downward adjustments. The wording of the motions passed in this regard since 2002 is set out in **Appendix V**.

WL income and assets limits for 2005-06

13. In the 2004-05 review, the Administration undertook to revisit the methodology when reviewing the limits for 2005-06. At the Panel meeting held on 7 February 2005, the Administration briefed members on how the HA would take forward the review of WL income and assets limits for 2005-06. According to the Administration, based on the revised formula introduced in 2002, there should be average increases of 1.7% and 0.7% for the income and assets limits respectively. At the meeting, the Administration also briefed members on the preliminary assessment of the following suggestions made by the Panel and other stakeholders previously for modifying the formula for calculating the limits –

- (a) Increasing the contingency provision from 5% to 10% of the total expenditure of the households;
- (b) Taking the non-housing expenditure of the second lowest quarter (i.e., 26% - 50%) expenditure group for the purpose of calculating the average non-housing expenditure;
- (c) Adopting the allocation standards for New Harmony blocks in determining the “reference flat sizes” for the purpose of calculating the housing expenditure; and

(d) Raising the assets limits for elderly households.

14. According to the Administration, implementation of the suggestions in paragraph 13(a) and (b) would substantially push up the income limits, while the suggestion in paragraph 13(c) would increase the overall income and asset limits. However, the Administration agreed that there was room for relaxing the asset limits for elderly households, taking account that they generally had to rely on savings to meet their daily expenses.

15. At the said meeting, while some members urged for a greater increase in the WL income limits, the Panel in general supported the suggestion of raising the asset limits for elderly households.

16. On 14 March 2005, the HA endorsed the proposal of adjusting the WL income limits upward by an average of 1.8%, while making no change to the asset limits. As for the elderly households, the asset limits were set at two times the asset limits for non-elderly applicants.

17. The extent of the adjustments to the WL income and asset limits from 2001-02 to 2005-06 is in **Appendix VI**. The WL income limits from 1998-99 to 2005-06 are in **Appendix VII**.

18. A list of the relevant papers with their hyperlinks is in **Appendix VIII**.

Council Business Division 1
Legislative Council Secretariat
15 March 2006

**Motion on "Proposal to lower the income and asset limit
for households eligible to apply for public rental housing
and Home Ownership Scheme flats"
passed at the meeting of the Panel on Housing
held on 5 March 2001**

(Translation)

“That this Panel strongly reproves the Housing Authority for hastily endorsing the lowering of the income and asset limits for households applying for public rental housing and Home Ownership Scheme flats before consulting the public and this Panel, and demands that the Housing Authority should suspend the implementation of the new limits, review the current mechanism and conduct full consultation.”

**Motion on "Review of income and asset limit
for public rental housing applicants"
passed at the meeting of the Panel on Housing
held on 7 January 2002**

(Translation)

“That this Panel requests the Housing Authority to relax the formula for deriving the Waiting List income limits taking into account the following proposals –

- (a) to include the rent for flats of sizes below 20 square metres and bedspaces in the calculation of housing expenditure;
- (b) to calculate the rental expenditure per square metre according to household sizes;
- (c) to include an element of “contingency money” equivalent to 10% of the household income in the calculation of non-housing expenditure; and
- (d) to calculate the non-housing expenditure using the average of the second lowest quarter expenditure group, i.e., only the 26-50% of the expenditure group should be used as the basis for calculation.”

**Motion on "Review of income and asset limit
for public rental housing applicants"
passed at the meeting of the Panel on Housing
held on 25 February 2002**

(Translation)

“That this Panel is opposed to the new proposal on income limits for public rental housing applicants put forward by the Housing department at the brainstorming session of the Housing Authority (HA) on 7 February 2002 and requests HA to accept the following four recommendations passed at the Housing Panel meeting on 7 January 2002:

- (a) to include the rent for flats of sizes below 20 square metres and bedspaces in the calculation of housing expenditure;
- (b) to calculate the rental expenditure per square metre according to household sizes;
- (c) to include an element of “contingency money” equivalent to 10% of the household income in the calculation of non-housing expenditure; and
- (d) to calculate the non-housing expenditure using the average of the second lowest quarter expenditure group, i.e., only the 26-50% of the expenditure group should be used as the basis for calculation.”

Appendix IV

Improvements to the mechanism for setting Waiting List income and asset limits endorsed by the Housing Authority on 28 February 2002

- (a) including all private flats below 70 square metres saleable area for deriving the unit rents;
- (b) adopting the differential unit rents for the respective household size in assessing the housing expenditure should these be higher than the overall average unit rent;
- (c) excluding the expenditure pattern of those households comprising solely elderly or non-working members in deriving the non-housing expenditure;
- (d) providing an allowance equivalent to 5% of the total household expenditure as a contingency provision in the calculation of income limits for Waiting List applicants;
- (e) using data from the fourth quarter of the previous year for conducting the annual review; and
- (f) as a standard practice, the income and asset limits so derived from the revised formula should be adopted.

**Motions passed by the Panel on Housing between 2002 and 2004
relating to downward adjustments to
the Waiting List income and asset limits for public rental housing**

Date of meeting	Wording of the motion (Translation)
25 February 2002	<p>“That this Panel requests that any decision to lower the income and asset limits should only apply to applications submitted after the promulgation of the new policy. For applications submitted before the promulgation, they should be allowed to remain on the Waiting List as long as they meet the criteria at the time of submission.”</p>
18 March 2003	<p>“That this Panel requests the Housing Authority not to adjust the Waiting List income and asset limits this year given that the Government is going to put forward a series of proposals to increase public fees and charges this year which will aggravate the burden of general public.”</p>
8 March 2004	<p>“That this Panel disagrees with the formula for calculating the Waiting List (WL) income limits adopted by the Subsidized Housing Committee of the Housing Authority and urges it to conduct a review taking into account the views expressed by members of this Panel.</p> <p>Furthermore, given that over 6 000 household applicants will be removed from the WL as a result of the downward adjustment of the WL income limits, contrary to the expectations of currently eligible applicants who are waiting for the allocation of public rental housing, this Panel opposes the Housing Department’s proposed downward adjustment of the WL income limits and recommends that the WL income limits be frozen for 2004/05.”</p>

Appendix VI

Adjustments to the income and asset limits for Waiting List applicants from 2001/02 to 2005/06

Year	Adjustment to income limit	Adjustment to asset limit
2001/02	-7.5%	-6.5%
2002/03	-5.0% ¹	-10.0%
2003/04	-3.8%	-5.1%
2004/05	-4.3%	-8.9%
2005/06	+1.8%	No change (The asset limits for elderly households are set at two times the asset limits for non-elderly applicants)

¹ It should be noted that the income limit for singletons has increased by 16% following the implementation of the revised mechanism in 2002.

Income and asset limits for Waiting List Applicants for public rental housing

Waiting List Income Limits (WLILs) from 1998/99 to 2005/06

Household size	WLILs for 1998/99 (\$)	WLILs for 1999/00 (\$)	WLILs for 2000/01 (\$)	WLILs for 2001/02 (\$)	WLILs for 2002/03 (\$)	WLILs for 2003/04 (\$)	WLILs for 2004/05 (\$)	Current WLILs for 2005/06 (\$)
1P	6,600	6,600	6,600	6,200	7,200	6,900	6,600	6,600
2P	11,900	11,900	11,900	11,000	10,800	10,400	10,000	10,100
3P	14,800	14,800	14,800	13,700	12,500	12,200	11,700	11,900
4P	17,700	17,700	17,700	16,400	14,800	14,600	14,000	14,300
5P	19,200	19,200	19,200	17,800	17,100	16,500	15,800	16,100
6P	20,700	20,700	20,700	19,200	18,900	18,100	17,300	17,600
7P	23,500	23,500	23,500	21,800	20,400	19,600	18,700	19,100
8P	26,200	26,200	26,200	24,300	21,600	20,700	19,800	20,300
9P	28,700	28,700	28,700	26,600	23,400	22,300	21,300	21,800
10P+	30,700	30,700	30,700	28,400	25,000	23,600	22,600	23,100

Income and asset limits for Waiting List applicants for public rental housing

List of relevant papers

Council/Committee	Date of meeting	Paper
Housing Panel	5 February 2001	LC Paper No. CB(1)1742/00-01 (http://www.legco.gov.hk/yr00-01/english/panels/hg/minutes/hg050201.pdf)
Housing Panel	5 March 2001	LC Paper No. CB(1)708/00-01(05) (http://www.legco.gov.hk/yr00-01/english/panels/hg/papers/a708e05.pdf) LC Paper No. CB(1)1927/00-01 (http://www.legco.gov.hk/yr00-01/english/panels/hg/minutes/hg050301.pdf)
Housing Panel	3 December 2001	LC Paper No. CB(1)429/01-02(04) (http://www.legco.gov.hk/yr01-02/english/panels/hg/papers/hg1203cb1-429-4e.pdf) LC Paper No. CB(1)717/01-02 (http://www.legco.gov.hk/yr01-02/english/panels/hg/minutes/hg011203.pdf)
Housing Panel	20 December 2001	LC Paper No. CB(1)647/01-02(06) (http://www.legco.gov.hk/yr01-02/english/panels/hg/papers/hg1220cb1-647-6e.pdf) LC Paper No. CB(1)914/01-02 (http://www.legco.gov.hk/yr01-02/english/panels/hg/minutes/hg011220.pdf)

Council/Committee	Date of meeting	Paper
Housing Panel	7 January 2002	LC Paper No. CB(1)724/01-02(06) http://www.legco.gov.hk/yr01-02/english/panels/hg/papers/hg0107cb1-724-6e.pdf LC Paper No. CB(1)966/01-02 http://www.legco.gov.hk/yr01-02/english/panels/hg/minutes/hg020107.pdf
Housing Panel	25 February 2002	LC Paper No. CB(1)1365/01-02 http://www.legco.gov.hk/yr01-02/english/panels/hg/minutes/hg020225.pdf LC Paper No. CB(1)1419/01-02 http://www.legco.gov.hk/yr01-02/english/panels/hg/papers/hg0225cb1-1419-e.pdf
Hong Kong Housing Authority (HA)	28 February 2002	Press release from HA on the revised mechanism for determining the income and asset limits http://www.housingauthority.gov.hk/en/aboutus/news/pressreleases/0,,2-0-533,00.html
Housing Panel	18 March 2003	LC Paper No. CB(1)1129/02-03(03) http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hg0318cb1-1129-3-e.pdf LC Paper No. CB(1)1492/02-03 http://www.legco.gov.hk/yr02-03/english/panels/hg/minutes/hg030318.pdf
Housing Panel	1 March 2004	LC Paper No. CB(1)1112/03-04(03) http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg0301cb1-1112-3e.pdf LC Paper No. CB(1)1446/03-04 http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg040301.pdf

Council/Committee	Date of meeting	Paper
Housing Panel	8 March 2004	LC Paper No. CB(1)1210/03-04(03) (http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg0308cb1-1210-3e.pdf) LC Paper No. CB(1)1641/03-04 (http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg040308.pdf)
HA	11 March 2004	Press release from HA on the income and asset limits for 2004/05 and the undertaking to re-visit the formula before the following year's review (http://www.housingauthority.gov.hk/en/aboutus/news/pressreleases/0,,2-0-9321,00.html)
Housing Panel	7 February 2005	LC Paper No. CB(1)832/04-05(03) (http://www.legco.gov.hk/yr04-05/english/panels/hg/papers/hg0207cb1-832-3e.pdf) LC Paper No. CB(1)832/04-05(04) (http://www.legco.gov.hk/yr04-05/english/panels/hg/papers/hg0207cb1-832-4e.pdf) LC Paper No. CB(1)1093/04-05 (http://www.legco.gov.hk/yr04-05/english/panels/hg/minutes/hg050207.pdf)
HA	14 March 2005	Press release from HA on the income and asset limits for 2005/06 (http://www.housingauthority.gov.hk/en/aboutus/news/pressreleases/0,,2-0-12549,00.html)