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As the Hong Kong Housing Authority established an Ad Hoc Committee on Review of domestic Rent Policy to conduct a comprehensive review of its policy governing the fixing and adjustment of the rent of public rental housing (PRH) and consult in order to improve the calculating of the rent-to- income ratio and find out a better mechanism in assessing the rent which corresponds to the social and economic circumstances, more rationed, flexible, fair to the users.

I, Chan Lee Pui Ying, have consulted the public of the issues and respond as follows:-

Differential Rents :

1. Response to the unit rent of flats in the same block which would be adjusted in accordance with a number of objective factors that are internal to the block (eg. floor levels, proximity to unwelcome facilities such as refuse chamber, etc.) The maximum rent differential after taking into account of both the internal and external factors (the view and orientation) would not exceed 30%.

Agree                       Disagree

Reason: The Public Housing Scheme is to provide accommodation for the public with low-income level. The suggested options of having a uniform MRIR for tenants would cause unfairness to the existing tenants/public or cause public dissension, labelling the different level of public housing users.

2. The proposed system of differential rents, if introduced, would first be applied to newly completes estates and extending the system to existing estates in the longer term:

Agree                       Disagree

Reason: (1) Disagree with differential rents.

- (2) The old type housing estates are comparatively poor in condition which do not have sufficient housing facilities.

3. The suggestion in collecting with reliable income date by way of a declaration system.

Agree                       Disagree

Reason: Easy to implement.

4. The suggestion to exclude CSSA recipients and tenants paying additional rents from the calculation of MRIR.

Agree  Disagree

Reason: A significant deviation to the index will be shown after eliminating the CSSA recipients or those who are paying extra rent, which will not reflect the real situation.

5. The suggestion to compile MRIR based on net rent, i.e., excluding rates and management expenses.

Agree  Disagree

Reason: Capable to reflect the actual rent/income ratio.

Since the existing rent is inclusive of government rates and management fees, a different index is necessary to show such differences for references.

6. The adoption of MRIR is provided as a references for measuring tenants affordability., thus a new system in rent adjustment mechanism has to be need.

Agree  Disagree

Reason: The estimation of the median rent has been implemented for some time, however the adjustment of the public housing rent has not been fixed. Further, the rent adjustment various from time to time due to the prevailing economic conditions and social development, thus we suggest to review the rent adjustment mechanism from time to time.

If the standard of rent adjustment can be increased and decreased with the same criteria within the system, then the general public agree, else if there is no such standard and criteria, then the public disagree.

The rent as adjustment system should embrace the followings:-

7. Median of rent-to-income ratio.

Agree  Disagree

Reason: It is comparatively fair to estimate the affordability of the public which makes it easy to implement the public housing policy and mechanism.

8. Percentage of tenant's monthly income.

Agree  Disagree

Reason: It is not easy to estimate each of the housing unit individually, the adjustment system is not flexible.

9. The balance of the tenant's income after deduction of reasonable expenses (non – housing expenses) being the rent.

Agree  Disagree

Reason: This types of estimation is not easy to perform, as such estimation would cause unfairness and would not encourage the existing tenant to purchase their own unit, thus it is a rather negative.

10. Calculation of tenant's income after deduction of reasonable expenses (non-housing expenses), that is the balance of rental expenses from CPI (A) as the indication.

Agree  Disagree

Reason: Besides the income/rent ratio which will affect the affordability of the tenant, the movements in CPI(A) will also bring about a corresponding change to CP1(A) thereby creating the effect in the affordability of the tenants. The introduction of the CPI to the estimation index is reasonable.

11. An annual statement separately set out the amount of rates and management fees to be issued to individual tenant to reflect the net rent charged by the Authority.

Agree  Disagree

Reason: It is more clear to reflect the rent ratio and the actual rent, but we suggest that a reference shall be made to the exclusion of government rates and management fees.

12. To maintain the 2 rent fixing exercises each year for newly completed PRH estates. As regards the frequency of rent reviews, it favours a biennial rent review cycle in normal circumstances, so warranted while keeping the extent of adjustment within a moderate range.

Agree  Disagree

Reason: This is comparatively acceptable as this would cause less disturbances to the public and maintain harmony between different levels of tenants, and its easy to perform.

Rent Assistance Scheme:

13. Relaxing the eligibility criteria for the elderly (from exceeding a rent-to-income ratio of 25% to 20%) (taken into effect since October 2002)

Agree                       Disagree

Reason: More people can get use and benefit from the Public Housing Policy.

14. Allowing tenants affected by Comprehensive Redevelopment Programme to apply for rent assistance immediately upon re-housing to newly built units (taken into effect since October 2002)

Agree                       Disagree

Reason: Provide a rather reasonable policy to different individual's needs.

15. Extending the grace period after which rent Assistance Scheme recipients are required to move to more affordable flats from 2 to 3 years (taken into effect since October 2002)

Agree                       Disagree

Reason: More flexible, however, more different types of units have to be allocated to different people in order to suit their requirements, thus it is more complex and difficulties in implementing the scheme.

16. In December 2005, the Subsidized Housing Committee of the Authority further enhanced the Scheme by offering 25% rent reduction to those non-elderly households with rent-to-income ratios exceeding 20%

Agree                       Disagree

Reason: A better compromise to the lower-income public.

17. To lift the 3-year residence requirement for tenants living in older block types. (taken into effect since October 2002)

Agree                       Disagree

Reason: It provides a way out not to penalise the tenants who have sufficient reason to return the public housing unit to the Government but disagree to use it as a control of the tenancy or avoiding the administration problem.

(This is a translation of the Chinese version, should there be any discrepancy, the Chinese version prevails)

6<sup>th</sup> April, 2006