

Legislative Council Panel on Housing

Review of Domestic Rent Policy

PURPOSE

This paper briefs Members on the progress of the review of domestic rent policy and the initial recommendations of the Ad Hoc Committee on Review of Domestic Rent Policy.

BACKGROUND

2. In December 2001, the Housing Authority (HA) set up an Ad Hoc Committee to review its domestic rent policy. The objective of the review is to map out a rent policy that provides flexibility to take into account tenants' affordability and income change whilst contributing to the long-term sustainability of the public rental housing (PRH) programme.

3. The work of the Ad Hoc Committee was interrupted between 2002 and 2005 by the judicial review cases on HA's decisions to defer rent reviews. In November 2005, the Court of Final Appeal handed down its judgment in favour of the HA. In brief, it ruled that –

- (a) the HA's decisions to defer rent reviews did not amount to determinations of variation of rent;
- (b) the HA is not under a statutory duty to review rents and revise them so as to ensure that the 10% median rent-to-income ratio (MRIR) is not exceeded;
- (c) the Appellant did not have a legitimate expectation that rents would be revised at three-year intervals or at all so as to ensure that the 10% MRIR is not exceeded;

- (d) the words “any determination of variation of rent” in section 16(1A) of the Housing Ordinance (Cap. 283) mean any decision to increase rent and do not extend to a decision to reduce rent;
- (e) 10% MRIR is not a statutory definition of affordability; and
- (f) the HA is under a statutory duty to ensure that the revenue accruing from its estates shall be sufficient to meet its recurrent expenditure.

4. The Ad Hoc Committee resumed its work upon conclusion of the judicial review. It launched a three-month public consultation on its initial findings between March and June 2006. The public consultation concluded on 9 June 2006. We also briefed this Panel on the consultation document on 17 March 2006.

PUBLIC RESPONSES

5. During the consultation, the Ad Hoc Committee collected views from a wide cross-section of the community through a variety of consultation channels. Members of the Ad Hoc Committee and representatives of the Housing Department attended more than 100 consultation forums/meetings. Over 400 written submissions were received from individuals and organizations. A summary of the public responses is at **Annex A**.

AD HOC COMMITTEE’S INITIAL RECOMMENDATIONS

6. Having carefully considered the public responses, the Ad Hoc Committee has drawn up a number of initial recommendations to improve the HA’s domestic rent policy. These are set out at **Annex B**.

7. Amongst the most important initial recommendations put forward by the Ad Hoc Committee is the establishment of a more rational and sustainable rent adjustment mechanism based on the change in PRH tenants’ household income. Some issues central to the operation of the new mechanism are highlighted below.

Income Index

8. The majority of public responses supports an income-based rent adjustment mechanism which provides a closer link with tenants' affordability. The Ad Hoc Committee shares this view and recommends that the HA should develop an income index tracking the movement in the household income of PRH tenants to guide future rent adjustments. The main advantage of the proposed income index is that, unlike median income or MRIR, the movement of which is affected by factors other than changes in households income (notably the changes in the distribution of household size), it can capture the "pure income change" of PRH tenants by discounting the effects of changes in household size distribution.

A New Rent Level

9. The Ad Hoc Committee accepts that the implementation of the proposed income-based rent adjustment mechanism needs to be accompanied by the introduction of a new rental basis which is considered suitable and acceptable to the community. It is therefore necessary to look into whether and, if so, how the current level of PRH rents should be adjusted to a new starting point. To ensure coherence and consistency of the entire rent adjustment framework, the Ad Hoc Committee considers that the new starting point should be worked out according to the proposed income index. Given that the rents of the existing PRH units were last adjusted in 1995, 1996 and 1997 respectively, an objective way to derive the new starting point is to adjust the current PRH rents according to the changes in the income index since these three reference years. Details of the possible rent adjustment options are set out at **Annex B**. The Ad Hoc Committee considers that the new rent level should be introduced at the same time as the introduction of the new rent adjustment mechanism.

Timing for Rent Reduction

10. The existing statutory 10% MRIR cap effectively means that, regardless of the string of extraneous factors accounting for the changes in the MRIR¹, rents can only go down once the cap is exceeded. To allow for the proper operation of the proposed income-based rent adjustment mechanism so that PRH rents can move both upwards and downwards when circumstances warrant, amendments to the Housing Ordinance to remove the statutory MRIR cap are necessary.

11. Questions have been raised as to why the HA cannot introduce rent reduction prior to the implementation of the proposed new rent adjustment mechanism and enactment of the necessary amendments to the Housing Ordinance. On this, we share the Ad Hoc Committee's view that the most objective, logical and coherent approach is to determine the new rent level by the future rent adjustment mechanism accepted by the community. Unless the statutory MRIR provisions are suitably amended, the HA would continue to be stuck in the current unsatisfactory and unsustainable situation where rents can only go down but not go up in the foreseeable future. Given the significant financial implications and the statutory requirement that the policy of the HA shall be directed to ensuring that the revenue accruing to it from its estates shall be sufficient to meet its recurrent expenditure on its estates, it would be highly imprudent for the HA to introduce long-term rent reduction without having put in place an effective administrative and legal framework that provides for both upward and downward rent adjustments as and when circumstances justified.

WAY FORWARD

12. The proposals at **Annex B** only represent the Ad Hoc Committee's initial recommendations. The Ad Hoc Committee will finalize its recommendations taking account of the views of the public. It aims to submit the review report and its final recommendations to the HA for approval before the end of this year. Subject to the HA's approval of the Ad Hoc Committee's recommendations, our intention is to introduce an amendment bill to this

¹ These underlying factors include the upsurge in the number of households receiving Comprehensive Social Security Assistance, major increase in the number of small-sized and elderly households, replacement of old estates by new ones, exit of relatively "well-off" tenants through various subsidized home ownership schemes, etc.

Council in the first quarter of 2007 with a view to effecting the new rent adjustment mechanism as soon as possible.

Housing, Planning and Lands Bureau
September 2006

Summary of Public Responses

Subject	Public Responses
Rent Adjustment Mechanism	<ul style="list-style-type: none"> • There was general support for the establishment of a new mechanism to guide the adjustments of PRH rents. • There was a clear preference for an income-based rent adjustment mechanism which could better reflect the affordability of PRH tenants. Most of the respondents, however, did not indicate clearly whether they prefer using median monthly household income or income index for guiding future rent adjustments. • Views were mixed on whether the new rent adjustment mechanism should be given statutory effect. Some respondents supported legislation mainly on the ground that this would give tenants greater protection. Some suggested otherwise so as to maintain a higher degree of flexibility.
New Rent Level	<ul style="list-style-type: none"> • A considerable number of respondents held the view that for the proposed income-based mechanism to operate fairly, it was important to reduce the existing PRH rents to a suitable and acceptable level. • Not many respondents gave their views on how the current PRH rents were to be adjusted. A few respondents suggested referring to the second quarter of 2000 when the MRIR exceeded 10% for the first time as the base year for rent adjustment. Some proposed using 1998 as the reference year

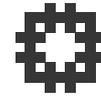
	<p>because the HA had since then not effected any rent adjustment. Some suggested 1997 as they were under the impression that the rents of most PRH flats were frozen at the 1997 level².</p>
	<ul style="list-style-type: none"> • Some respondents called for introducing rent reduction before reviewing the rent adjustment mechanism. • Regarding the extent of rent reduction, views were very diverse. Some respondents suggested an across-the-board reduction of 10% to 20%. Some requested the HA to reduce PRH rents to the extent that it would bring down the MRIR to below 10%. There were also suggestions for a one-off rent remission in the form of a rent holiday so that timely rent relief could be granted prior to the establishment of a new rent adjustment mechanism.
Differential Rents	<ul style="list-style-type: none"> • Views collected through different sources were extremely divided. Findings from the telephone survey showed a clear majority support for taking account of factors such as floor levels, proximity to unwelcome facilities and external views, etc., for determining rents of PRH units. Responses from the written submissions were finely balanced on whether a system of differential rents should be introduced. However, participants at district forums, resident groups and District Council Members expressed strong objection to the notion of differential rents. • Quite a few respondents requested the HA to adopt suitable measures to improve the letting rate of flats in “unpopular” locations or vacant for a long time.

² Since the Housing Authority waived the rent increases approved in 1998 and 1999 and deferred all rent reviews since 1999, approximately one-third each of the PRH units had their rents last reviewed in 1995, 1996 and 1997 respectively.

Measure of Affordability	<ul style="list-style-type: none">• The majority of the respondents did not support the alternative affordability measures put forward in the consultation paper. Many of them were concerned about the potentially huge administrative costs and disturbance caused to tenants in conducting individual assessment of the household income of all PRH tenants should these alternative options be implemented.• A considerable number of respondents expressed support for continuing to adopt the MRIR as an indicator of affordability.• There was also considerable support for the HA to collect more accurate and reliable income data for calculating MRIR.• Views were diverse on whether Comprehensively Social Security Assistance (CSSA) recipients and households paying additional rents should be excluded from the calculation of MRIR.• The majority of the respondents objected to the proposal for excluding Government rates and management fees from MRIR calculation.• A number of respondents requested the HA to consider lowering the current MRIR benchmarks of 15% (for allocation standard 5.5 m² per person) and 18.5% (for allocation standard 7 m² per person).
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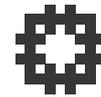
Rent Fixing and Review Cycle	<ul style="list-style-type: none"> • There was limited public discussion on the rent fixing arrangements for newly completed PRH estates. Most respondents who commented on this subject supported the continuation of the current practice to conduct two rent fixing exercises each year. • Views were mixed on how frequent the rents of PRH estates should be reviewed. Some respondents preferred a longer rent review cycle (such as a three-year cycle) whereas the other supported a shorter review cycle (such as a biennial cycle). • On the question of whether PRH units should have their rents reviewed in batches or in one go, most of the respondents who commented on this subject supported the proposal for reviewing the rents of all PRH estates in one go.
Exclusive Rents	<ul style="list-style-type: none"> • The majority of respondents objected to separating the collection of rates and management fees from PRH rents.
Fixed-term Tenancy	<ul style="list-style-type: none"> • Views were mixed on whether a system of fixed-term tenancy should be introduced to replace the current monthly tenancy. On balance, more respondents were against the idea. Most of them were concerned that fixed-term tenancy would undermine the security of tenure. • For those who supported fixed-term tenancy, they pointed out that the occupancy of PRH flats is not a perpetual right and PRH should only be provided to those in real need. This observation was also shared by a number of respondents who did not subscribe to the idea of fixed-term tenancy.

Rent Assistance Scheme	<ul style="list-style-type: none">• Respondents who commented on the Rent Assistance Scheme (RAS) generally welcomed the enhancements introduced in 2002 and 2006. A number of them suggested further relaxations to the scheme such as lowering the income eligibility threshold and abolishing the requirement to move to cheaper flats after receiving RAS for three years.
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公屋租金政策檢討 初步建議

1



(I) 背景

- 檢討公屋租金政策的公眾諮詢，已於2006年6月9日完結
- 專責小組委員會已歸納和分析從不同途徑所收集的公眾意見，並就各項諮詢重點作出初步建議

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(II) 初步建議



(a) 租金調整機制

- 引入「可加可減」租金調整機制
- 該租金調整機制亦應用作調整新屋邨的「最高租金」
- 在落實「可加可減」租金調整機制時，應一併研究如何將現時的公屋租金調整至一個合適並為廣大市民所接受的水平，令該機制可以在一個新的租金起步點上有效及公平地運作

3

租金調整機制



- 機制應能反映公屋住戶的入息變化及負擔能力，而不同的指標各有利弊
- 消費物價指數／豁除住屋開支的消費物價指數 — 物價指數的運作概念較簡單易明，但物價變動與居民的入息變化及負擔能力未必有直接關係
- 住戶入息中位數 — 中位數的變化往往受制於眾多外來因素影響，例如小家庭住戶數目增加，便可能會令入息中位數在整體住戶入息沒有減少的情況下而下降，嚴重影響其作為租金調整參考指數的客觀及合理性

4



- 因此，專責小組傾向接納一套量度公屋住戶收入變化的入息指數作為日後調整租金及新屋邨的「最高租金」的基礎。該入息指數只計算「純收入效應」而不受家庭人口分布變化影響

整體住戶入息中位數會受家庭人口分布變化影響



例子〔一〕

時期一				時期二			
住戶編號	住戶人數	住戶入息 (\$)	按住戶人數劃分的住戶入息中位數 (\$)	住戶編號	住戶人數	住戶入息 (\$)	按住戶人數劃分的住戶入息中位數 (\$)
1	一人	4,500	5,000	1	一人	4,500	5,000
2		5,000		2		5,000	
3		5,500		3		5,000	
4	二人	7,000	7,500	4	二人	5,500	5,000
5		7,500		5		7,000	
6		8,000		6		7,500	
7	三人或以上	8,500	9,500	7	三人或以上	7,500	7,500
8		9,000		8		8,000	
9		9,500		9		8,500	
10		10,000		10		9,500	
11		10,500		11		10,500	9,500
整體住戶入息中位數 (\$)			8,000	整體住戶入息中位數 (\$)			7,500

例子〔一〕：各家庭組別的住戶入息中位數維持不變，而整體住戶入息中位數則由時期〔一〕的8,000元下跌至時期〔二〕的7,500元。原因是一、二人小家庭的住戶數目增加了，而三人或以上家庭的住戶數目則減少了。簡單來說，整體住戶入息中位數受家庭人口分布變化的影響而下落。

整體住戶入息中位數會受家庭人口分布變化影響



例子〔二〕

時期一				時期二			
住戶編號	住戶人數	住戶入息 (\$)	按住戶人數劃分的住戶入息中位數 (\$)	住戶編號	住戶人數	住戶入息 (\$)	按住戶人數劃分的住戶入息中位數 (\$)
1	一人	4,500	5,000	1	一人	4,550	5,050
2		5,000		2		5,050	
3		5,500		3		5,050	
4	二人	7,000	7,500	4	二人	5,550	7,550
5		7,500		5		7,050	
6		8,000		6		7,550	
7	三人或以上	8,500	9,500	7	三人或以上	7,550	9,550
8		9,000		8		8,050	
9		9,500		9		8,550	
10		10,000		10		9,550	
11		10,500	9,500	11		10,550	9,550
整體住戶入息中位數 (\$)			8,000	整體住戶入息中位數 (\$)			7,550

例子〔二〕：各家庭組別的住戶入息中位數分別上升了 50 元，而整體住戶入息中位數則由時期〔一〕的 8,000 元下跌至時期〔二〕的 7,550 元。原因是一、二人小家庭的住戶數目增加了，而三人或以上家庭的住戶數目則減少了。簡單來說，整體住戶入息中位數受家庭人口分布變化的影響，不但不能反映真正住戶入息的變化，甚至反向下跌。

7

租金基礎水平



- 在引入調整機制時，有不同方案可評定新租金基礎：

方案A

- 電話意見調查顯示約 78.3% 全港市民（65.8% 公屋居民）認為現行公屋租金處於合理或偏低水平，因此可考慮繼續以現有租金水平作為新租金調整機制運作的基礎

8



方案B

- 亦可考慮按照入息指數過去數年的變動幅度，調整現有公屋租金作為調整機制運作的基礎
- 由於房委會以往分批檢討公屋租金，以及在1998年和1999年豁免若干單位的加租，現時公屋單位的租金分別「凍結」於1995年、1996年和1997年的水平，數目各佔約三分之一
- 要評定新租金起步點，較客觀的方法是按照入息指數自1995年至1997年期間的變動，採取不同的調整幅度

9



公屋居民住戶入息指數變動			加權平均 變化幅度
95年1月 – 12月至 05年4月 – 06年3月	96年1月 – 12月至 05年4月 – 06年3月	97年1月 – 12月至 05年4月 – 06年3月	
2.8%	-5.2%	-11.6%	-5.1%

- 租金凍結於1995年水平的公屋單位，需要加租2.8%
- 租金凍結於1996年和1997年水平的公屋單位，應分別減租5.2%和11.6%。房委會每年整體租金收入將減少約7億3千萬

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方案C

- 方案B將分屬不同租金檢討周期的公屋單位，引入不同的減租幅度，或會被批評將公屋居民分化
- 若要劃一調整所有公屋單位的租金水平，一個可行方案是將入息指數自1995年至1997年期間的變動幅度加權，
- 根據這個方案，現有公屋租金，包括新屋邨的「最高租金」，應調低5.1%。房委會每年租金收入將減少約6億2千萬

11



方案D

- 另一可行方案，是以1997年作為調整租金的基準年。倘以1997年作為參考點，須減租11.6%。房委會每年租金收入將減少約14億1千萬
- 在考慮這個方案時，可參考以下理據：
 - 新屋邨的「最高租金」均凍結於1997年的水平
 - 現時最大部份的公屋單位(36%)的租金亦是凍結於1997年的水平。由於新屋邨陸續落成，而其租金會按自1997年已來未作任何改變的「最高租金」水平所釐定，故預計會有越來越多公屋單位的租金定於1997年的水平

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其他指數自1995-1997年的變動

	95年1月 – 12月至 05年4月 – 06年3月	96年1月 – 12月至 05年4月 – 06年3月	97年1月 – 12月至 05年4月 – 06年3月	加權平均 變化幅度
甲類消費物價指數	2.2%	-3.6%	-8.8%	-3.7%
豁除住屋開支的 甲類消費物價指數	5.6%	0.7%	-3.7%	0.6%
住戶入息中位數	-10.2%	-15.2%	-18.5%	-14.9%

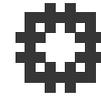
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法例修訂

- 如要落實一套以住戶入息變化為基礎的「可加可減」租金調整機制，必須修訂《房屋條例》，取消在加租後租金與入息比例中位數不得超逾10%的規定
- 亦必須考慮應否以政策形式而非立法來執行建議的入息掛鈎租金調整機制，避免房委會無法在特殊情況下採取較靈活方式決定租金調整的幅度

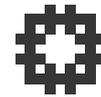
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(b) 不劃一租金

- 由於公眾意見極為分歧，故建議不實施不劃一租金方案
- 有不少意見認為，在「不受歡迎」位置或已空置多時的公屋單位應予減租，以降低空置率，並更確切反映該等單位的對比租值
- 可考慮以免租期吸引準租戶入住空置多時的單位，例如給予遷往已空置12個月或以上的單位的租戶四至六個月免租期

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- 這構思的優點如下：
 - (i) 要衡量單位的「不受歡迎程度」，該單位是否長期空置較樓層或鄰近所謂不受歡迎設施等因素更為客觀
 - (ii) 提供較長免租期既可吸引準租戶選擇該些單位，亦比永久性減租更符合成本效益

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(c) 衡量負擔能力的指標



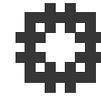
- 建議繼續採用租金與入息比例中位數作為衡量居民負擔能力的概括性指標，而非租金調整機制。租金與入息比例中位數的變動不會用作日後調整租金的基礎
- 租金與入息比例中位數的計算方法可透過下述方式改善：
 - (i) 房委會透過申報制度蒐集入息數據。該入息數據亦可作編製公屋居民住戶入息指數之用
 - (ii) 剔除領取綜援和繳交額外租金的住戶於租金與入息比例中位數的計算內

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- 繼續把差餉和管理費包括在租金與入息比例中位數的計算內
- 繼續採用租金與入息比例中位數**15%**（按每人**5.5**平方米的編配標準計算）和**18.5%**（按每人**7**平方米的編配標準計算）的基準
- 既然租金與入息比例中位數只是負擔能力的一般性指標，《房屋條例》中提及租金與入息比例中位數的條文應予刪除

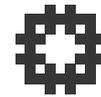
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(d) 租金釐定及檢討周期

- 現時每年兩次釐定新落成屋邨租金的安排，應予維持。新屋邨的「最高租金」亦會按照建議的入息指數調整
- 採用兩年一次的租金檢討周期，可令每次檢討的租金調整幅度較為溫和，亦能更迅速回應社會經濟狀況的轉變
- 應一次過檢討所有公共屋邨的租金

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(e) 租金應否包括差餉和管理費

- 建議房委會繼續收取包括差餉和管理費的租金，但向租戶發出年度結算表時，分項列出差餉和管理費，以提高透明度

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(f) 定期租約

- 房委會應繼續採用現行的按月租賃制度
- 如有需要加強處理有關公屋住戶流轉性的問題，應透過檢討「公屋住戶資助政策」和「維護公屋資源合理分配政策」等相關政策

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(g) 單位面積、租金和租戶負擔能力

- 維持現時的編配標準編配單位並切實執行，這可免加重租戶的租金負擔
- 新公屋項目的建屋組合應盡量配合未來租戶的家庭人數，並應定時檢討和調整

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(h) 租金援助計劃

- 房委會已於過去四年先後兩次將租金援助計劃的運作和申請資格作出大幅改善
- 可考慮進一步加強宣傳該計劃，並擬定更詳細的指引，幫助前線員工掌握有關的執行細節，尤其是關於調遷的安排

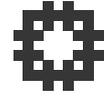
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(III) 未來路向

- 預期專責小組委員會在今年年底前向房委會提交報告及建議
- 我們計劃於2007年第一季提出修訂《房屋條例》草案，以盡快落實一套靈活及能照顧居民負擔能力的租金政策

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謝謝