

立法會 *Legislative Council*

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Bills Committee on Housing (Amendment) Bill 2007

Background brief

Purpose

This paper sets out the background of the Housing (Amendment) Bill 2007, and summarizes the major concerns expressed by Members when the related legislative proposals were deliberated at meetings of the Panel on Housing (the Panel).

Background

General framework of the existing domestic rent policy

2. Section 16(1) of the Housing Ordinance (HO) (Cap.283), provides for the power of the Housing Authority (HA) to determine the rents of its public housing estates. Public housing rents are determined by HA on the basis of tenants' affordability, i.e. ability to pay. The general principle of affordability has been translated into the median rent-to-income ratio (MRIR)¹ ceiling. Other factors taken into account by HA for reviewing public rental housing (PRH) rents include the comprehensive values of estates, location and transportation, management and maintenance costs, inflation, rates charged by the Government, HA's financial position etc. Before March 1998, review of PRH rents was conducted by HA every two years.

3. The former Legislative Council passed the Housing (Amendment) (No. 3) Bill 1996 in June 1997 which was a Private Member's Bill introduced by Hon LEUNG Yiu-chung. The Bill as amended (Amendment Ordinance 1997) provides, inter alia, that any determination of variation of rent should only take effect at least three years after coming into effect of the previous rent

¹ MRIR means 50% of households' rent-to-income ratios (RIR) are below the median figure while the other 50% are above it. Administratively HA sets two MRIR ceilings, namely 15% for the minimum space allocation standard of 5.5 square metres Internal Floor Area (IFA) per person (set in 1986), and 18.5% for the higher space allocation standard of 7 square metres IFA per person (set in 1991).

determination and that the overall MRIR of all public housing estates should not exceed 10% after any rent variation.² To resolve the operational difficulties of the Amendment Ordinance 1997, the Administration introduced and the Provisional Legislative Council enacted the Housing (Amendment) Ordinance 1998 in February 1998. The Amendment Ordinance 1997 came into effect in March 1998.

Change of MRIR

4. Since the enactment of the Amendment Ordinance 1997, HA has frozen the rents of newly completed PRH estates at the July 1997 level. It has also deferred repeatedly the rent reviews for existing PRH. However, with the downturn of the economy after the change of sovereignty, the incomes of the general public have been decreasing. Noting that the overall MRIR for the third quarter of 2000 was at 10.2% which exceeded the statutory ceiling, some members of the Panel called upon the Administration to reduce the rents of PRH to comply with the 10% MRIR ceiling³. However, the stance of the Administration then was that the law only requires HA, when revising the rents of PRH, to ensure that the overall MRIR of PRH households does not exceed 10%. If the MRIR rises above the ceiling of 10% because of reasons other than an increase in rent, such as a reduction of incomes of public housing tenants, HA is not required to reduce rent.

5. In October and November 2002, two PRH tenants applied for judicial review in respect of HA's decisions to defer rent reviews at the Court of the First Instance. The case in question was subsequently brought to the Court of Appeal⁴ and then the Court of Final Appeal (CFA). On 21 November 2005, CFA ruled in favour of HA and dismissed the appeal.⁵ CFA's ruling is summarized in **Appendix I**.

Review of the domestic rent policy

6. HA set up the Ad Hoc Committee on Review of Domestic Rent Policy

² Section 16(1A) of the Housing Ordinance provides that –

(a) Any determination of variation of rent after the commencement of the Housing (Amendment) Ordinance 1997 (108 of 1997) by the Authority under subsection (1)(a) in respect of any class (whether determined by the nature of the land or status of the lessee) of land in an estate for residential purposes shall only take effect at least 3 years from the date on which any immediately preceding determination in respect of the same such class of land came into effect.

(b) The rent determined under paragraph (a) in respect of any such class of land shall be of such amount that the median rent to income ratio in respect of all classes of land in all estates let for residential purposes, as determined by the Authority, shall not exceed 10%.

³ The MRIR reached 14.3% in the third quarter of 2006 as compared to 9.1% when the statutory 10% cap was passed by the former Legislative Council under the Housing (Amendment) (No. 3) Bill 1996 in June 1997.

⁴ On 11 July 2003, the Court ruled in favour of the applicants. HA appealed to the Court of Appeal which ruled in favour of HA in November 2004.

⁵ HO Choi-wan v Hong Kong Housing Authority (2005) 8 HKCFAR 628

(the CDRP) in March 2001 to review its domestic rent policy (the Review). The major objective of the Review is to establish a clear, objective and flexible rent adjustment mechanism in the long run to better reflect tenants' affordability and help ensure a sustainable development of the public housing programme. The work of the CDRP was adjourned due to the judicial review in respect of HA's decisions to defer rent reviews. The CDRP resumed work in September 2003.

7. On 9 March 2006, the CDRP published a consultation paper on "Review of Domestic Rent Policy" (the Consultation Paper) and launched a three-month public consultation to invite views on proposals for changes and improvement of the PRH rent policy and rent adjustment mechanism. The key areas for consultation are set out in **Appendix II**.

8. The Panel was briefed on CDRP's initial findings and proposals at the meeting on 17 March 2006. It also held three special meetings on 19 April, 16 and 25 May 2006 to discuss and receive deputations' views on the subject. Public consultation on the Consultation Paper ended on 9 June 2006. Having carefully considered the public responses, the CDRP held two brainstorming sessions on 6 and 22 September 2006 to discuss with HA members on the initial recommendations of the Review. The Administration also briefed the Panel on these recommendations at the meetings on 26 September and 6 November 2006.

9. On the whole, the Panel considered that the proposal of introducing a rent adjustment mechanism with reference to movements in tenants' household income would better measure tenants' affordability. However, there was concern that proposals in the Consultation Paper, such as measures to improve the compilation of MRIR and introducing exclusive rents, were means to pave the way for HA to increase rents. There was request for HA to reduce PRH rent first to keep in line the decline in tenants' household income in the past few years and to comply with the 10% MRIR cap before reviewing the rent adjustment mechanism. In this connection, The Panel passed a motion at the meeting on 25 May 2006 requesting HA to introduce rent reduction immediately before reviewing the rent adjustment mechanism. Suggestion was also made for HA to introduce a tier system in adjusting PRH rents, under which the levels of rent payable by tenants would be determined according to their actual income and affordability, so that less well-off tenants would pay lower rent, whereas higher-income tenants would pay higher rent. On the extent of rent reduction, there were suggestions for reduction up to 15 to 20% based on different indicators of tenants' affordability and reference years in calculation.

10. The CDRP submitted its report on the Review (the Report) to HA on 21 November 2006. The Report was endorsed by HA at the meeting on 27 November 2006. HA also agreed to grant a one-off rent remission for the

month of February 2007 to PRH tenants⁶. The key recommendations of the Report in relation to the introduction of a new rent adjustment mechanism are summarised in **Appendix III**.

11. At the meeting on 4 December 2006, members of the Panel noted the legislative proposals to amend HO to put in place a new rent adjustment mechanism for PRH flats, as well as the Administration's intention to introduce the across-the-board rent reduction of 11.6% upon passage of the proposed amendment bill.

The Bill

12. On 31 January 2007, the Administration introduced the Housing (Amendment) Bill 2007 (the Bill) into the Legislative Council. On 2 February 2007, the House Committee decided that a bills committee be formed to scrutinize the Bill.

13. The objects of the Bill are to amend HO to -

- (a) remove the cap of 10% of the MRIR and the three-year interval restriction on rent adjustment imposed by section 16(1A) of the Ordinance;
- (b) introduce a rent adjustment framework that provides for both upward and downward rent adjustments according to changes in public rental housing tenants' household income.

14. The Bill repeals the MRIR provisions under sections 16(1A), (1B), (1C), (1D) and (1E) of HO and replaces them by new provisions, stipulating how the income-based rent adjustment mechanism will operate. The key elements of the new provisions include -

- (a) requiring HA to vary PRH rent according to the rate of the increase or decrease of an income index to be compiled to reflect the change in the mean household income of PRH tenants;
- (b) specifying the period to be covered by the income index in a rent review;
- (c) allowing HA to refrain from varying PRH rent if the amount of the variation required after a rent review is; in its opinion, insignificant but requiring it to take into

⁶ The rent remission will be granted to PRH tenants and Interim Housing licensees with the exception of those paying additional rent or licence fees.

account that income change in the next review;

- (d) providing for a two-year rent review cycle and the first rent review to take place two years after the commencement of the Amendment Ordinance;
- (e) empowering HA to determine how the income index is to be compiled and to entrust the compilation of the income index to a public body or tertiary institution; and
- (f) exempting the application of the new rent adjustment mechanism to tenants paying additional rent or those who are eligible for the Rent Assistance Scheme.

Major views and concern expressed by members in relation to the proposals in the Bill

15. Members of the Panel have expressed different views on the relevant legislative proposals. The major views and concerns are summarised as follows:

- (a) While agreeing that introduction of the income-based rent adjustment mechanism would better measure PRH tenants' affordability, some members consider that as the purpose of the 10% MRIR cap is to restrain rent increases to ensure PRH rents are within the affordability of tenants, repealing the MRIR provisions will remove the "statutory safeguard" for low-income households and will not be accepted by tenants;
- (b) Notwithstanding that there is support from some members for the Administration to amend HO to put in place a more rational and sustainable rent adjustment mechanism, some members have questioned the need for introducing the legislative amendments as the existing HO already allows for both increase and reduction in PRH rents;
- (c) Given the current sound financial position of HA, with continued prudent financial management, HA will be able to balance its income and expenditure thus avoiding the need to seek funds from the Government and hence the implication on public finance. As such, the Administration should consider maintaining the status quo instead of seeking to introduce the new rent adjustment mechanism and amending HO, which has sparked off

suspicion that the mechanism and the legislative amendments are to facilitate rent increases in the future;

- (d) Concerns have been expressed on the Administration's proposals to exclude Comprehensive Social Security Assistance and additional rent paying households from the coverage of the income index, and exempt the application of the new rent adjustment mechanism to tenants who are eligible for the Rent Assistance Scheme, on grounds that these proposals will be less able to reflect income changes of the old and less disadvantaged households, as well as give rise to different treatment to PRH tenants;
- (e) On the compilation of the income index, some members have stressed the need to set out the details in the Bill, including the methodology, the operation of the mechanism, and the independent party/parties to be appointed for compiling the index etc., in order to ensure that the index will be compiled in an open, fair and reasonable manner;
- (f) As for the proposed reduction in PRH rent, some members have strongly demanded the Administration to reduce PRH rent prior to introducing the new rent adjustment mechanism stressing the need for HA to comply with the 10% cap first and treat PRH tenants fairly as HA has been freezing rents only in the past few years of deflationary period. Opposition has also been raised over the Administration's current approach of bundling the introduction of the new rent adjustment mechanism with the rent reduction proposal; and
- (g) Regarding rent remission before the introduction of the new rent adjustment mechanism, some members have questioned the adequacy of a one-month rent remission and urged for extending the measure to two months. On the coverage of rent remission, some members have urged consideration be given to cover all households except the well-off tenants.

16. To address members' concern about possible manipulation of the outcome in compiling the income index, the Administration provided a written response (LC Paper CB(1)593/06-07(01)) which is hyperlinked in **Appendix IV**.

References

17. A list of relevant papers is set out in **Appendix IV**.

Council Business Division 1
Legislative Council Secretariat
8 February 2007

Housing (Amendment) Bill 2007

List of references

Council/Committee	Date of meeting	Paper
Council Meeting	27 June 1997	Resumption of second reading debate on Housing (Amendment) (No.3) Bill 1996 (Hansard) (http://www.legco.gov.hk/yr96-97/english/lc_sitg/hansard/970627fb.doc)
Bills Committee	6 February 1998	Minutes of the meeting (PLC Paper No. CB(2) 1126) (http://www.legco.gov.hk/yr97-98/english/bc/bc57/minutes/bc570602.htm)
Council Meeting	25 February 1998	Report of the Bills Committee on the Housing (Amendment) Bill 1998 (Hansard P.9) (http://www.legco.gov.hk/yr97-98/english/counmtg/hansard/980225fa.doc)
Housing Panel	3 May 1999	Hon LEE Wing-tat's questions (LC Paper No. CB(1)1235/98-99(06)) (English version only) (http://www.legco.gov.hk/yr98-99/english/panels/hg/papers/hg03056a.htm) Administration's response to Hon LEE Wing-tat's questions (LC Paper No. CB(1)1235/98-99(07)) (http://www.legco.gov.hk/yr98-99/english/panels/hg/papers/hg03056b.htm) Administration's information paper on rent review for public rental housing (LC Paper No. CB(1)1235/98-99(08)) (http://www.legco.gov.hk/yr98-99/english/panels/hg/papers/hg03056c.htm) Minutes of meeting (LC Paper No. CB(1)1796/98-99) (http://www.legco.gov.hk/yr98-99/english/panels/hg/minutes/hg030599.htm)

Council/Committee	Date of meeting	Paper
Council Meeting	20 October 1999	LegCo question: Median Rent-to-Income Ratio of Household in Public Rental Housing Estates (Hansard P.39) (http://www.legco.gov.hk/yr99-00/english/counmtg/hansard/991020fe.pdf)
Council Meeting	31 May 2000	Hon LAU Kong-wah's question on determination of public housing rentals (Hansard P.7) (http://www.legco.gov.hk/yr99-00/english/counmtg/hansard/000531fe.pdf)
Council Meeting	10 January 2001	Hon James TO's question on the level of rents of public rental housing units (Hansard P.7) (http://www.legco.gov.hk/yr00-01/english/counmtg/hansard/010110fe.pdf)
Housing Panel	5 February 2001	Submission from Hon Frederick FUNG Kin-kee (LC Paper No. CB(1)525/00-01(06)) (http://www.legco.gov.hk/yr00-01/english/panels/hg/papers/a525e06.pdf) Administration's information paper on Rent Policy and Rent Assistance Scheme (LC Paper No. CB(1)525/00-01(07)) (http://www.legco.gov.hk/yr00-01/english/panels/hg/papers/a525e07.pdf) Minutes of meeting (LC Paper No. CB(1)1742/00-01) (http://www.legco.gov.hk/yr00-01/english/panels/hg/minutes/hg050201.pdf)
Housing Panel	16 July 2003	Administration's information paper on Judicial Review on Public Housing Rents (LC Paper No. CB(1)2217/02-03(01)) (http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hg0716cb1-2217-1e.pdf) Judgment delivered by the Court of First Instance: HCAL000198/2002 Lam Kin Sum v. Hong Kong Housing Authority (LC Paper No. CB(1)2217/02-03(02)) (English version only) (http://www.legco.gov.hk/yr02-03/english/panels/hg/papers/hg0716cb1-2217-2e-scan.pdf)

Council/Committee	Date of meeting	Paper
		Minutes of meeting (LC Paper No. CB(1)2459/02-03) http://www.legco.gov.hk/yr02-03/english/panels/hg/minutes/hg030716.pdf
Housing Panel	25 March 2004	Administration's information paper on Proposed Framework for Reviewing Public Rental Housing Rents (LC Paper No. CB(1)1361/03-04(01)) http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg0325cb1-1361-1e.pdf Background brief on "Median rent-to-income ratio of public rental housing" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1361/03-04(02)) http://www.legco.gov.hk/yr03-04/english/panels/hg/papers/hg0325cb1-1361-2e.pdf Minutes of meeting LC Paper No. CB(1)2029/03-04 http://www.legco.gov.hk/yr03-04/english/panels/hg/minutes/hg040325.pdf
Council meeting	10 November 2004	LegCo question: Public Rental Housing Rental level (Hansard P.47) http://www.legco.gov.hk/yr04-05/english/counmtg/hansard/cm1110ti-translate-e.pdf
Housing Panel	29 November 2004	Administration's information paper on Review of Public Rental Housing Rents (LC Paper No. CB(1)118/04-05(02)) http://www.legco.gov.hk/yr04-05/english/panels/hg/papers/hg1101cb1-118-2e.pdf Background brief on "Median rent-to-income ratio of public rental housing" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)118/04-05(03)) http://www.legco.gov.hk/yr04-05/english/panels/hg/papers/hg1101cb1-118-3e.pdf <u>Submissions</u> Wong Chuk Hang Estate Transfer Concern Group

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Council meeting	1 June 2005	<p>Hon LEUNG Kwok-hung's question on rental levels of PRH units (Hansard P.58) (http://www.legco.gov.hk/yr04-05/english/counmtg/hansard/cm0601ti-translate-e.pdf)</p>

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Housing Panel	21 October 2005	<p>Policy Initiatives of Housing, Planning and Lands Bureau (LC Paper No. CB(1)26/05-06(01)) (http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg1021cb1-26-1-e.pdf)</p> <p>Minutes of meeting (LC Paper No. CB(1)399/05-06) (http://www.legco.gov.hk/yr05-06/english/panels/hg/minutes/hg051021.pdf)</p>
Council meeting	8 February 2006	<p>Hon LEUNG Kwok-hung's question on domestic rental income of Housing Authority (Hansard P.145) (http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm0208ti-translate-e.pdf)</p>
Housing Panel	17 March 2006	<p>Consultation Paper on Review of Domestic Rent Policy and its Executive Summary (LC Paper No. CB(1)1045/05-06)) (http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0317cb1-1045-e.pdf)</p> <p>Administration's information paper on Review of Domestic Rent Policy (LC Paper No. CB(1)1060/05-06(03)) (http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0317cb1-1060-3-e.pdf)</p> <p>Background brief on “Review of rent policy of public rental housing” prepared by the Legislative Council Secretariat ((LC Paper No. CB(1)1060/05-06(04)) (http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0317cb1-1060-4-e.pdf)</p> <p>LC Paper No.CB(1)1108/05-06(01) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0317cb1-1108-1c.pdf)</p> <p>LC Paper No.CB(1)1108/05-06(02) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0317cb1-1108-2c.pdf)</p>

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Housing Panel	19 April 2006	<p><u>Submissions</u></p> <p>Hong Kong People's Council on Housing Policy LC Paper No. CB(1)1286/05-06(01) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0419cb1-1286-1-c.pdf)</p> <p>Society for Community Organization (LC Paper No. CB(1)1314/05-06(01)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0419cb1-1314-1-c.pdf)</p> <p>Alliance for Defending Grassroots Housing Rights (LC Paper No. CB(1)1286/05-06(02)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0419cb1-1286-2-c.pdf)</p> <p>The Federation of H.K., KLN. and N.T. Public Housing Estates Resident and Shopowner Organizations (LC Paper No. CB(1)1286/05-06(03)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0419cb1-1286-3-c.pdf)</p> <p>Chinese Grey Power (LC Paper No. CB(1)1293/05-06(01)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0419cb1-1293-1-c.pdf)</p>

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Housing Panel	16 May 2006	<p><u>Submissions:</u></p> <p>Neighbourhood and Worker's Service Centre (LC Paper No. CB(1)1500/05-06(01)) (Chinese version only) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1500-1-c.pdf)</p> <p>Hong Kong Association for Democracy and People's Livelihood</p>

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		<p>(LC Paper No. CB(1)1480/05-06(01)) (Chinese version only) http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1480-1-c.pdf</p> <p>Democratic Party (LC Paper No. CB(1)1500/05-06(02)) (Chinese version only) http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1500-2-c.pdf)</p> <p>The Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy (LC Paper No. CB(1)1480/05-06(02)) (Chinese version only) http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1480-2-c.pdf</p> <p>Social Policy Committee of The Hong Kong Federation of Trade Unions (LC Paper No. CB(1)1480/05-06(03)) http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1480-3-c.pdf</p> <p>Shek Wai Kok Estate Resident Concern Group (LC Paper No. CB(1)1480/05-06(04)) http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1480-4-c.pdf</p> <p>Lee On Estate Lee Wah House Mutual-Aid Committee (LC Paper No. CB(1)1500/05-06(03)) http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1500-3-c.pdf</p> <p>Dr LAU Kwok-yu, JP - Associate Professor, Department of Public and Social Administration of City University of Hong Kong (LC Paper No. CB(1)1500/05-06(04)) http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0516cb1-1500-4e.pdf)</p> <p>Dr HUI Chi-man, Eddie – Professor, Department of Building and Real Estate of Hong Kong Polytechnic University (English version only) (LC Paper No. CB(1)1500/05-06(05))</p>

Council/Committee	Date of meeting	Paper
		<p>http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0516cb1-1500-5-e.pdf</p> <p>New Territories Association of Societies (LC Paper No. CB(1)1685/05-06(01)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0419cb1-1685-1c.pdf)</p> <p>牛頭角下邨關注重建組 (LC Paper No. CB(1)1724/05-06(01)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0516cb1-1724-1c-scan.pdf)</p> <p>Minutes of meeting (LC Paper No. CB(1)2206/05-06) (http://www.legco.gov.hk/yr05-06/english/panels/hg/minutes/hg060516.pdf)</p>
Housing Panel	25 May 2006	<p>Summary of views presented to the Panel prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1571/05-06(01)) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0525cb1-1571-1-c.pdf)</p> <p>Administration's response to the summary of views presented to the Panel prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1571/05-06(02)) http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0525cb1-1571-2-e.pdf</p> <p>LC Paper No. CB(1)1596/05-06(01) (http://www.legco.gov.hk/yr05-06/chinese/panels/hg/papers/hg0525cb1-1596-1c.pdf)</p> <p>Minutes of meeting (LC Paper No. CB(1)2259/05-06) (http://www.legco.gov.hk/yr05-06/english/panels/hg/minutes/hg060525.pdf)</p>

Council/Committee	Date of meeting	Paper
Council meeting	14 June 2006	<p>Hon LEE Cheuk-yan's question on review on public housing rent policy (Hansard P.9) http://www.legco.gov.hk/yr05-06/chinese/counmtg/floor/cm0614ti-confirm-c.pdf</p> <p>Hon Alan LEONG Kah-kit's question on rent assistance for PRH tenants (Hansard P.15) http://www.legco.gov.hk/yr05-06/chinese/counmtg/floor/cm0614ti-confirm-c.pdf</p>
Housing Panel	26 September 2006	<p>Administration's information paper on review of domestic rent policy (LC Paper No. CB(1)2241/05-06(01)) http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0926cb1-2241-1-e.pdf</p> <p>Updated Background brief on "review of rent policy of public rental housing" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)2241/05-06(02)) http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0926cb1-2241-2-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)451/06-07) http://www.legco.gov.hk/yr05-06/english/panels/hg/minutes/hg060926.pdf</p>
Housing Panel	6 November 2006	<p>Administration's response regarding the operation of the proposed income-based rent adjustment mechanism (LC Paper No. CB CB(1)144/06-07(01)) LC Paper No. CB(1)144/06-07(01) http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0926cb1-144-1-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)380/06-07) http://www.legco.gov.hk/yr06-07/english/panels/hg/minutes/hg061106.pdf</p>
Housing Panel	4 December 2006	<p>Administration's information paper on review of domestic rent policy LC Paper No. CB(1)394/06-07(03) http://www.legco.gov.hk/yr06-07/english/panels/hg/papers/hg1204cb1-394-3-e.pdf</p>

Council/Committee	Date of meeting	Paper
		<p>Background brief on Report on the review of rent policy for public rental housing prepared by the Legislative Council Secretariat LC Paper No. CB(1)394/06-07(04) http://www.legco.gov.hk/yr06-07/english/panels/hg/papers/hg1204cb1-394-4-e.pdf</p> <p>Administration's response regarding possible manipulation of the outcome in compiling the proposed income index LC Paper No. CB(1)593/06-07(01) http://www.legco.gov.hk/yr06-07/english/panels/hg/papers/hg1204cb1-593-1-e.pdf</p>
Council meeting	7 February 2007	Hon Frederick FUNG Kin-kee's motion on "Urging the Housing Authority to grant rent remission to public rental housing tenants and expeditiously reduce the rent" (Hansard)

Council Business Division 1
Legislative Council Secretariat
8 February 2007

Appendix I

Summary of the Court of Final Appeal's ruling made in November 2005 on the judicial review of the Housing Authority's decisions to defer rent reviews

- (a) HA's decisions to defer rent reviews did not amount to determinations of variation of rent.
- (b) HA is not under a statutory duty to review rents and revise them so as to ensure that the 10% 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" means any decision to increase rent and does not extend to a decision to reduce rent.
- (e) 10% MRIR is not a statutory definition of affordability.
- (f) HA is under a statutory duty to ensure that the revenue accruing from its estates shall be sufficient to meet its recurring expenditure.

The key areas for consultation in the “Review of Domestic Rent Policy” Consultation Paper published in March 2006

- (a) Alternative options for measuring affordability

The Ad Hoc Committee on Review of Domestic Rent Policy (CDRP) has considered a number of alternative options for measuring affordability apart from the MRIR, including adopting different MRIRs for different groups of households or types of estates, setting rents based on a fixed RIR and the so-called “residual income approach”.
- (b) Improvements to the assessment of MRIR

Should MRIR be retained as a measure of affordability in the absence of other better and operationally viable alternatives, the CDRP has identified possible measures to improve the methodology for its assessment, including collecting more reliable income data by way of a declaration system, excluding CSSA recipients and tenants paying additional rents from the calculation of MRIR; and compiling MRIR based on net rents, i.e. excluding rates and management expenses.
- (c) Proposed rent adjustment reference index

The statutory MRIR cap of 10% has confused an affordability indicator with a rent adjustment mechanism. The CDRP proposes to replace the present system with a more transparent and well-defined index-linked mechanism to guide rent adjustment, both upwards and downwards, based on movements in consumer price or tenants’ household income.
- (d) Differential rents

To better reflect the rental values of different units and provide greater choice to tenants, the Consultation Paper sets out two models of differential rents for public consultation, i.e. the “moderate model” taking into account of internal factors (such as floor level, proximity to unwelcome facilities), and the “comprehensive model” taking into account of both internal and external factors (such as views and orientation) for rent adjustment.

(e) Exclusive rents

The Consultation Paper proposes a more practical alternative to continue to charge all-inclusive rents but separately set out the amount of rates and management fees in a statement to be issued to individual tenants annually to enhance transparency.

(f) Fixed-term tenancy

The CDRP is not in favour of replacing the current monthly tenancy by fixed-term tenancy and considers that the problem of tenants' perpetual stay in PRH, which fixed-term tenancy is thought to be able to help resolve, should best be addressed through a proper review of the relevant policies such as the Housing Subsidy Policy and Policy on Safeguarding Rational Allocation of Public Housing Resources.

(g) Rent fixing and review cycles

The CDRP is of the view that the current arrangements of having two rent fixing exercises each year for newly completed estates should be maintained. It also favours a biennial rent review cycle to provide for timely implementation of any rent adjustments. Instead of dividing PRH estates into batches for rent review, it will be more equitable to cover all PRH estates in any rent review exercise.

Appendix III

The key recommendations of the "Review of Domestic Rent Policy" in relation to the introduction of a new rent adjustment mechanism

- (a) To introduce a new rent adjustment mechanism for public rental housing (PRH) flats by developing an income index to track the "pure changes" in PRH tenants' household income to guide future rent adjustments;
- (b) To introduce legislative amendments to the Housing Ordinance to replace the statutory 10% median rent-to-income ratio cap with the income-based rent adjustment mechanism so that PRH rent can move both upwards and downwards according to the changes in the income index;
- (c) To introduce an across-the-board rent reduction of 11.6% upon the introduction of the new rent adjustment mechanism to provide an appropriate starting point for the new mechanism to operate effectively and fairly; and
- (d) To adopt a biennial rent review cycle to help achieve a more moderate rent adjustment in every review and allow the Housing Authority reacting more quickly to changes in socio-economic circumstances.