

**Bills Committee on
Housing (Amendment) Bill 2007**

Second meeting on 8 March 2007

List of follow-up actions arising from the discussion at the meeting

Proposed income-based rent adjustment mechanism

1. Pointing out that the spirit of the 10% median rent-to-income ratio (MRIR) cap was to ensure increases in public rental housing (PRH) rents are within tenants affordability, members and deputations in general consider it necessary to introduce a statutory rent increase cap to restrain Housing Authority (HA)'s power in increasing PRH rents. The Administration is requested to explain the reasons for repealing the 10% MRIR cap, whether the proposed rent adjustment mechanism would provide a ceiling on rent increases; and if yes; how the cap will operate.
2. The Administration is requested to respond to some members' comments that the proposed income index would not accurately reflect tenants' affordability and it is necessary to develop other indicators for measuring tenants' affordability.
3. It is the Administration's intention to adjust the current rent level to provide a fair starting point for the proposed rent adjustment mechanism to operate and HA has decided to reduce PRH rents by 11.6% after passage of the Bill. Given that the proposed 11.6% rent reduction would only bring the current MRIR down to 12.8%, there is concern that the new rent level would be unfair and unacceptable to PRH tenants. The Administration is requested to consider members' suggestion of adjusting the current rent level downwards to bring MRIR down to 10% so as to provide a fairer starting point for the operation of the new rent adjustment mechanism.

Increase in the MRIR figures

4. While some members are of the view that the upsurge in MRIR since 1997 was mainly attributed to the significant decline in PRH households' income, the Administration indicates that the upsurge in MRIR was largely due to extraneous factors including, inter alia, increase in the number of PRH tenants receiving Comprehensive Social Security Assistance and increase in the number of elderly or small households who tend to have lower income etc. In this connection, the Administration is requested to provide information to justify its findings.