

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

Third meeting on 16 March 2007

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

Increase in the MRIR figures

1. It is the Administration's view that the upsurge in the median rent-to-income ratio (MRIR) in recent years has been caused by a host of extraneous factors. In its presentation at the meeting held on 16 March 2007, the Administration only demonstrated three major factors including surge in the number of small households, rise in the number of Comprehensive Social Security Assistance recipients, and improvement in the Housing Authority (HA)'s space allocation standard; and their respective impact on MRIR. The Administration is requested to provide details of other extraneous factors, such as increase in supply of new public rental housing (PRH) flats and redevelopment programme of PRH, and their respective impact on MRIR. For instance, newly completed estates have much higher MRIR benchmarks of 15% and 18.5%. The information should highlight whether changes in these factors would result in distortions in MRIR.
2. In relation to item 1, concern has been raised that the policy of "well-off" tenants, which to some extent has led to the exit of high income tenants, may attribute to the rise in MRIR. The Administration is requested to provide information on the actual number and percentage changes in "well-off" tenants in the past few years.
3. According to the Administration, the surge in the number of small households has led to the rise in MRIR. In order to illustrate the pure changes of household size on MRIR figures, the Administration is requested to provide information showing respective MRIR figures for PRH households of different sizes, i.e., from 1-person to 10-person.
4. According to the Administration, a 30% reduction in PRH rents would help bring the 14.3% MRIR as at third quarter 2006 down to 10%. The Administration is requested to provide information on the MRIR figures when:
 - (a) the extraneous factors except household size are excluded from the calculation; and
 - (b) all the extraneous factors are excluded from the calculation.

Rent adjustment mechanism

5. The Administration is requested to provide written responses on views, suggestions, and request for information made by members as follows:
 - (a) To retain the 10% MRIR cap in rent adjustment. When adjusting PRH rents, households should be divided into different categories on the basis of their household size, i.e. from 1-person to 10-person. PRH rents for categories of households with the MRIR below 10% will be adjusted upward if there is increase in the proposed income index. However, for household categories with MRIRs exceeding the 10% cap, HA could not increase rent for the categories. This mechanism would discount the effect of changes in household size on MRIR and better ensure PRH rents are within tenants' affordability;
 - (b) The proposed income index aims to track the changes in income of households over two different periods. Concern is raised about the possibility that the percentage of households with increase in income less than the increase in the income index would be more than the percentage of households with increase in income more than the increase in the income index. Thus, the income index may not reflect the changes of income of PRH households in general. In this regard, the Administration is requested to develop models to illustrate whether the proposed income index would result in such scenario; and if yes, how the concern could be addressed;
 - (c) The proposed income index uses the mean household income as the basis for computing the index values. The Administration is requested to develop models using median household income in working out the index values; and
 - (d) There is concern about the reliability of the household income data for computing the income index, in particular how HA would ensure the accuracy of the data and the representativeness the samples collected. To ensure that the income data collected would better reflect the changes in household income, a suggestion has been made for HA to conduct a longitudinal survey on the income changes of a selected sample of PRH households in a rent review cycle instead of selecting a sample of 1 500 to 2 000 households every month.