

**The Administration's Responses to Members' Requests
Raised at the Meeting of the Bills Committee on
Housing (Amendment) Bill 2007 on 31 May 2007**

CALCULATION OF THE PROPOSED INCOME INDEX

A Member suggested that in calculating the income index, households of the top 5% household income in each household size group based on the current profile of public rental housing (PRH) tenants' household income should be excluded.

2. As indicated in our reply of 29 May 2007 [CB(1)1784/06-07(01)], we would exclude households with extreme income profile from the coverage of the income index to minimize potential distortion to the resultant rate of rent adjustment. These households include additional rent-paying households, households receiving Comprehensive Social Security Assistance and households with outlying income levels. To assess the proportion of households with outlying income levels, we would adopt the "John Tukey's Outliers Filter" method which is an internationally accepted and established statistical methodology for data treatment of outliers. Based on the current income profile of PRH tenants, we estimate that the proportion of "extreme outliers" to be about top 1% households in each household size group and, under more stringent selection rules, the proportion of "extreme and mild outliers" to be about top 4% to 5% households in each household size group. To address the Member's concern that including "mild outliers" in the calculation may also distort the income index, we would apply more stringent selection rules and exclude also the "mild outliers" in each household size group from the coverage of the income index.

3. However, we are of the view that the extent of "mild outliers" in each household size group to be excluded from the coverage of the income index has to be assessed in each compilation exercise through a statistical process and would vary depending on the prevailing income distribution of PRH tenants. It is not appropriate to specify a fixed percentage in law as the

figure will vary with a change in the income distribution profile of PRH tenants and has to be ascertained through a statistical assessment process.

PROPOSED REVISION TO THE RENT ASSISTANCE SCHEME (RAS)

4. The proposed revisions to the RAS were set out in our reply [CB(1)1700/06-07(02)]. They are now summarized as follows –

- (a) rent-to-income ratio (RIR) and household income eligibility criteria for the RAS would be revised respectively by lowering the RIR from 20% to 18.5% and relaxing the income threshold from 60% to 70% of the respective Waiting List Income Limits (WLILs). Details of the revised income eligibility criteria are at **Appendix**;
- (b) the resident requirement for households living in newer block types (i.e. Harmony blocks and blocks built in or after 1992) would be reduced from three years to two years; and
- (c) after receiving rent assistance for three consecutive years, non-elderly RAS recipients would be required to move to cheaper accommodation if there are suitable flats available. Suitable flats refer to those in the same district council district with monthly rent at least 20% less than the full monthly rent (i.e. the rent payable if rent assistance is not available) of units occupied by RAS recipients. Non-elderly RAS recipients living in older block types (i.e. those completed before 1992 and exclude all Harmony blocks and those converted from Home Ownership Scheme/Private Sector Participation Scheme/Buy-or-Rent Scheme) would be exempted from the requirement of moving to cheaper accommodation except for under-occupation cases. Elderly households will continue to be exempted from the transfer requirement.

5. As explained in our reply aforementioned, in principle, implementation of the new RAS criteria concerned should tie in with the day of introducing the first rent variation under the new rent adjustment mechanism. However, we recognize that tenants would prefer an earlier implementation date. Hence, as a goodwill gesture, the Housing Authority (HA) would implement the revisions together with the implementation of the rent reduction proposal after

the passage of the Bill. If the Bill is passed on 13 June 2007, the HA would implement the rent reduction and the revised RAS with effect from 1 August 2007. We would also step up our publicity on the RAS and would issue letters to all PRH households informing them of the rent reduction and the revisions to the RAS.

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Housing, Planning and Lands Bureau
1 June 2007

Revised Income Eligibility Criteria under Rent Assistance Scheme

Income Limits / Household Size	1 Person Household	2 Person Household	3 Person Household	4 Person Household	5 Person Household	6 Person Household	7 Person Household	8 Person Household	9 Person Household	10 Person or above Household
<i>For a 50% rent reduction for non-elderly households</i>										
1)	Rent-to-income ratio (RIR) exceeds 25%; <u>OR</u>									
2) Household income falls below 50% of the respective Waiting List Income Limit (WLIL) irrespective of RIR; <u>OR</u>	Income < \$3,400	Income < \$ 5,400	Income < \$6,050	Income < \$7,300	Income < \$8,450	Income < \$9,900	Income < \$10,700	Income < \$11,450	Income < \$12,200	Income < \$13,050
3) Household income lies between 50% and 70% of the respective WLIL and RIR exceeding 15%	Income between \$3,400 - \$4,760, and RIR > 15%	Income between \$5,400 - \$7,560, and RIR > 15%	Income between \$6,050 - \$8,470, and RIR > 15%	Income between \$7,300 - \$10,220, and RIR > 15%	Income between \$8,450 - \$11,830, and RIR > 15%	Income between \$9,900 - \$13,860, and RIR > 15%	Income between \$10,700 - \$14,980, and RIR > 15%	Income between \$11,450 - \$16,030, and RIR > 15%	Income between \$12,200 - \$17,080, and RIR > 15%	Income between \$13,050 - \$18,270, and RIR > 15%

Income Limits / Household Size	1 Person Household	2 Person Household	3 Person Household	4 Person Household	5 Person Household	6 Person Household	7 Person Household	8 Person Household	9 Person Household	10 Person or above Household
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For a 25% rent reduction for non-elderly households

1)	RIR exceeds 18.5% but not exceeding 25%; <u>OR</u>									
2) Household income falls below 70% but not lower than 50% of the respective WLIL irrespective of RIR	Income \geq \$3,400 and <\$4,760	Income \geq \$5,400 and <\$7,560	Income \geq \$6,050 and <\$8,470	Income \geq \$7,300 and <\$10,220	Income \geq \$8,450 and <\$11,830	Income \geq \$9,900 and <\$13,860	Income \geq \$10,700 and <\$14,980	Income \geq \$11,450 and <\$16,030	Income \geq \$12,200 and <\$17,080	Income \geq \$13,050 and <\$18,270

For a 50% rent reduction for elderly households (i.e. households with members all aged 60 or above)

1)	RIR exceeds 18.5%; <u>OR</u>									
2) Household income falls below 70% of the respective WLIL irrespective of RIR;	Income <\$4,760	Income <\$7,560	Income <\$8,470	Income <\$10,220	Income <\$11,830	Income <\$13,860	Income <\$14,980	Income <\$16,030	Income <\$17,080	Income <\$18,270