

INFORMATION NOTE

Provision of rent subsidy

1. Background

1.1 The Financial Secretary of the Hong Kong Special Administrative Region delivered the 2012-2013 Budget on 1 February 2012. The community has since called on the Government to provide financial assistance to the so-called "N-nothing" class who do not benefit from the relief measures announced in the Budget, as they are not entitled to tax rebates, bonus welfare payments, or public rental housing ("PRH") rent waivers. This information note provides members of the Panel on Housing with an overview of provision of rent subsidy, rent assistance and rent allowance to the public by the Administration.

2. Rent Allowance for Elderly Scheme

2.1 In the 2000 Policy Objective Booklet, the Government invited the Housing Authority ("HA") to jointly explore with the former Housing Bureau the feasibility of providing rent allowance in lieu of PRH to eligible elderly applicants as an additional option to address their housing needs.

2.2 HA subsequently launched a pilot Rent Allowance for Elderly Scheme ("RAES") in August 2001. The scheme offered elderly applicants a rent allowance enabling them to rent private accommodation rather than taking up public rental flats. All eligible elderly applicants registered on the Waiting List for PRH for at least two years (subsequently relaxed to one year) or under compassionate and compulsory categories could apply.

2.3 The rent allowance payable under RAES is set at 60% of the monthly rental actually paid by the beneficiary or the rates promulgated by HA, whichever is less. HA will adjust the rate of the rent allowance by making reference to the data of the Census and Statistics Department on private housing rents, and the average space allocated to Waiting List applicants of respective household size in the past three years. In the 2001 Policy Objective Booklet, the Government further asked HA to jointly examine with the former Housing Bureau the feasibility of extending rent allowances to non-elderly households on the Waiting List, i.e., the General Rent Allowance Scheme ("GRAS").

2.4 According to HA, RAES received only lukewarm response. About 17 000 eligible elderly applicants on the Waiting List were invited to apply for the scheme. But only 623 allowances were drawn. Amongst the senior citizens, there remained a predominant preference for PRH over cash subsidies. Having regard to the unenthusiastic response and ample supply of PRH units, HA decided to terminate the pilot scheme in September 2003. No new applications were accepted thereafter but existing beneficiaries are allowed to continue to receive the rent allowance. These existing beneficiaries have been offered a choice to continue to receive cash subsidies under the RAES or be re-housed to PRH upon expiry of their current leases¹.

Assessment of provision of rent allowance versus public rent housing

2.5 In 2005, HA undertook to examine the case for a wider application of rent allowance. It was subsequently recommended not to pursue rent allowance as a means to help families in need of housing assistance. Specifically, taking account of the special circumstances of Hong Kong, for a rent allowance scheme to work and be more cost-effective than PRH, HA considered that the following pre-conditions had to be met:

- (a) a viable formula for assessing the amount of rent allowance that would ensure cost-effectiveness while making the scheme an attractive proposition to prospective applicants;

¹ According to the Secretary for Transport and Housing, a total of 103 elderly households were still receiving rent allowance under RAES at end-February 2011. See GovHK (2011a).

- (b) an adequate supply of suitable rental stock in the private residential market such that any large scale application of the rent allowance scheme would not push up the rentals; and
- (c) the Government/HA could actually realize the potential land revenue foregone under the PRH option.

2.6 After considering the constraints imposed by each of the conditions above, the heavy financial burden posed by the rental allowance scheme, low average waiting time for PRH, and the large-scale PRH production programme in the pipeline, HA decided that the case for introducing GRAS was not compelling and the wide application of rent allowance would add to HA's financial predicament.

3. Provision of rent subsidy, rent assistance and rent allowance by the Administration

3.1 At present, the Government provides rent subsidy, rent assistance and rent allowance to the public via the following means:

Special grants under the Comprehensive Social Security Assistance Scheme

3.2 Rent allowance is payable to eligible elderly persons, disabled persons and persons medically certified to be in ill-health, and able-bodied adults or children under the Comprehensive Social Security Assistance ("CSSA") Scheme, with the payment rates as follows:

Table 1 – Rent allowance payable to elderly persons, disabled persons and persons medically certified to be in ill-health

Number of eligible members in the household	Maximum level per month
1	\$1,335
2	\$2,695
3	\$3,520
4	\$3,745
5	\$3,750
6 or above	\$4,690

Note: Rent allowance above the maximum level can be considered to cover the actual rent if an elderly applicant has been waitlisted for compassionate re-housing or a subvented residential institution (not applicable to those residing in a private elderly residential institution).

Table 2 – Rent allowance payable to able-bodied adults or children

Number of eligible members in the household	Maximum level per month
1	\$1,335
2	\$2,695
3	\$3,520
4	\$3,745
5	\$3,750
6 or above	\$4,690

Note: Rent allowance above the maximum level can be considered to cover the actual rent if the applicant has been waitlisted for compassionate re-housing.

Rent Assistance Scheme

3.3 First introduced in September 1992, the Rent Assistance Scheme ("RAS") aims at granting relief in the form of rent reduction to domestic tenants in PRH and licensees in Interim Housing ("IH") who are facing temporary financial hardship. PRH tenants/IH licensees must satisfy an income test and the following eligibility criteria to be granted either 25% or 50% rent reduction under RAS:

- (a) no one in the household owns any domestic property in Hong Kong;
- (b) the size of the rental flat currently occupied does not exceed the respective maximum allocation standard; and
- (c) no one in the household is receiving CSSA with rent allowance.

Income test

3.4 The household income must meet either one of the following criteria:

- (a) non-elderly households eligible for 50% rent reduction if:
 - (i) the household income is below 50% of the Waiting List Income Limit ("WLIL");
 - (ii) the rent-to-income ratio ("RIR") exceeds 25%; or
 - (iii) the household income is between 50% and 70% of WLIL and RIR exceeds 15%;
- (b) non-elderly households eligible for 25% rent reduction if:
 - (i) the household income falls below 70% but not lower than 50% of WLIL; or
 - (ii) RIR exceeds 18.5% but not exceeding 25%; or

- (c) elderly households eligible for 50% rent reduction if:
 - (i) elderly household (i.e. all household members aged 60 or above) with income falls below 70% of WLIL; or
 - (ii) with RIR exceeds 18.5%.

3.5 Families living in newer blocks are required to live in them for a period of two years before being eligible to apply for assistance. As at December 2010, about 11 800 households were receiving RAS.

Assistance Programme under the Community Care Fund

3.6 The Chief Executive announced in his 2010-2011 Policy Address to establish the Community Care Fund for providing assistance to people facing economic difficulties, in particular those who fall outside the social safety net or those within the safety net but have special circumstances that are not covered.

3.7 Since the establishment of the Community Care Fund, the Steering Committee of the Fund has launched various assistance programmes covering the education, home affairs, medical and welfare areas for target beneficiary groups including children, the elderly, the disabled, patients, new arrivals and ethnic minorities. These include the following programme implemented and proposed to provide rental subsidy to the needy applicants:

- (a) an one-off \$2,000 subsidy for CSSA recipients who are owners of Tenant Purchase Scheme flats for five years or above and not eligible for rent allowance under CSSA. The estimated full-year expenditure including administrative cost is \$94.38 million, with an estimated 3 800 beneficiaries. The programme was rolled out in September 2011 and the application period ended on 30 November 2011;

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- (b) an one-off subsidy for CSSA recipients living in private housing paying rents that exceed the maximum rent allowance under CSSA. The estimated full-year expenditure including administrative cost is \$36.12 million, benefiting about 23 000 households. The programme was rolled out in October 2011, with each eligible one-person and two-or-more-person households provided with a one-off subsidy of \$1,000 and \$2,000 respectively;
- (c) relocation allowance for eligible residents of sub-divided units in industrial buildings who would have to move out as a result of the Buildings Department's enforcement action. The estimated full-year expenditure including administrative cost is around \$4.4 million, benefiting about 900 households. The programme was rolled out in December 2011. The allowance for single-person households, two-and-three-person households, and households with four or more members is \$2,100, \$4,600 and \$6,100 respectively; and
- (d) an one-off subsidy for low-income elderly tenants in private housing to relieve their financial pressure in view of the rising inflation and cyclical rental increase. The estimated budget is about \$50 million, benefiting about 9 700 households. The amount of subsidy is \$4,000 for elders living alone, \$8,000 for two-person elderly households, and a uniform \$12,000 for three-or-more-person elderly households. The target date of implementation is July 2012.

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