

Review of Waiting List Income and Asset Limits for 2013/14



Background

- The Housing Authority (HA) has put in place a Waiting List (WL) system through which low-income families who cannot afford to rent private accommodation may apply for public rental housing (PRH)
- The eligibility of PRH applicants is determined by way of the WL income and asset limits, which measure the total household income required to rent private accommodation comparable to PRH while also meeting other non-housing expenditure
- Households with income and asset below the prescribed limits are deemed to be unable to afford to rent private accommodation, and hence are eligible for PRH
- The limits are assessed annually to keep abreast with the prevailing socio-economic circumstances



Refined Mechanism for the Review of Income Limits

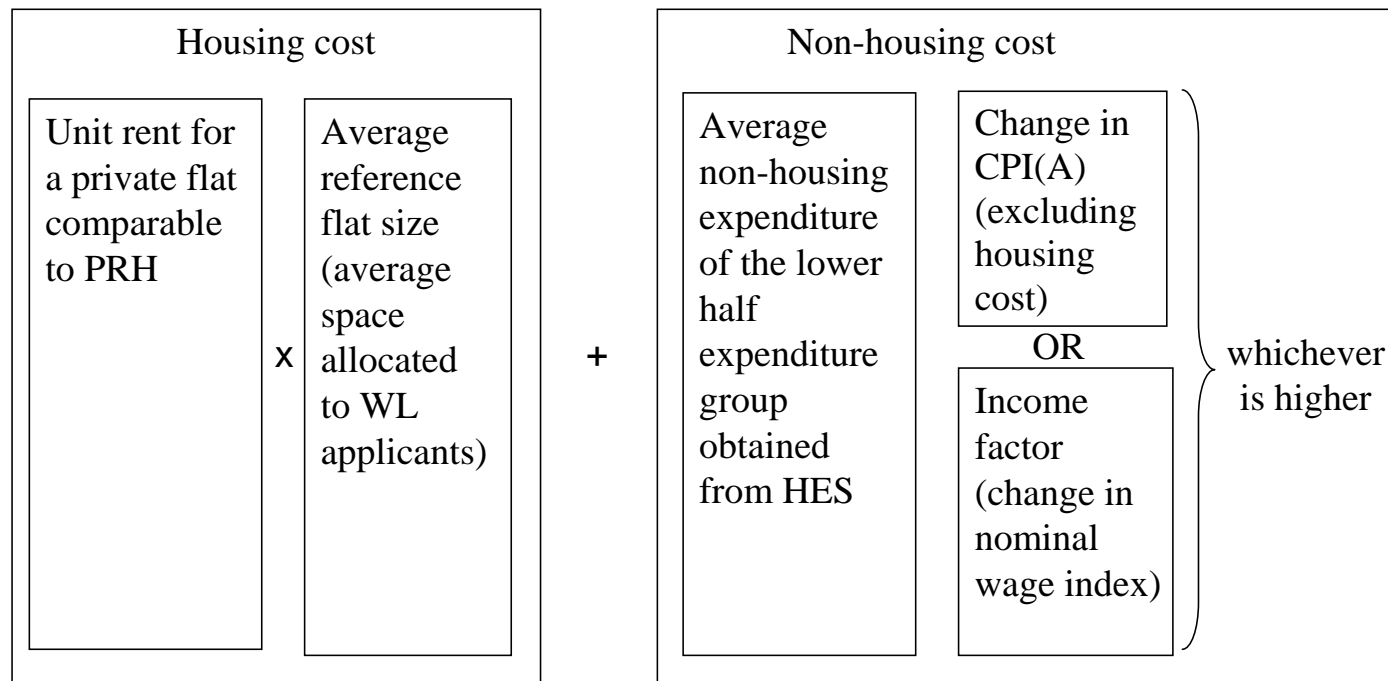
- At its meeting on 7 February 2013, the Subsidised Housing Committee (SHC) considered a revised mechanism to determine WL income limits:
 - The current expenditure-led review mechanism had worked well and had provided an objective basis on which to assess the affordability of households applying for PRH
 - Although changes in income (including the implementation and changes of the Statutory Minimum wage (SMW)) would be reflected in the changes in expenditure in the long run, they might not be reflected in a timely manner in the WL income limits before the Household Expenditure Survey (HES) results are updated

Refined Mechanism for the Review of Income Limits (Cont'd)

- The SHC approved at its meeting on 7 February 2013 the refinement to the mechanism for reviewing the WL income limits, whereby the non-housing cost component would be adjusted by either the change in CPI(A) (excluding housing cost) or the change in nominal wage index obtained through the Labour Earnings Survey conducted quarterly by C&SD as the income factor, whichever is higher
- The refinement aimed to take into account the changes in income, including implementation of the SMW, while maintaining the expenditure-led review mechanism which functions well
- The SHC also agreed to adopt the refined mechanism for the review of the WL income limits for 2013/14. In this regard, the change in nominal wage index was considered to be a suitable yardstick to be used to gauge changes in income of the PRH target group and to reflect the impact of SMW on income. The nominal wage index covers occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who are most likely to be the potential applicants for PRH

Refined Mechanism for the Review of Income Limits (Cont'd)

$$\text{WL Income Limits} = \text{Household Expenditure} + \text{Contingency (5\% of Household Expenditure)}$$



Movements of key parameters over the year

	<u>4Q 2011</u>	<u>4Q 2012</u>
(a) Differential unit rents of private flats (per m ² Internal Floor Area (IFA))		
-1-person	\$200	\$232
-2-person	\$192	\$217
-Overall	\$190	\$214
	<u>2008/09 – 2010/11</u>	<u>2009/10 – 2011/12</u>
(b) Reference flat size, i.e. average space (in terms of IFA) of flats allocated to WL applicants		
-1-person	16.2m ²	15.7m ²
-2-person	22.5m ²	22.4m ²
-3-person	30.6m ²	30.4m ²
-4-person	37.8m ²	37.1m ²
	<u>4Q 2011</u>	<u>4Q 2012</u>
(c) CPI(A) (excluding housing cost)	106.4	109.7 (+3.1%)
		<u>3Q 2012</u>
(d) Change in nominal wage index as compared with the same quarter of previous year		+4.8%



Housing Cost

- Housing costs include rent payment, rates, Government rent and management fees required for a household to rent a private flat of comparable size to PRH
- The exact figure is obtained by multiplying the average space allocated to WL applicants in the past three years by a unit rent derived from a sample survey of private dwellings conducted by the C&SD
- For households of 1-person and 2-person, the respective differential unit rent or the overall average unit rent, whichever is higher, is adopted in the calculation; for households of 3-person or above, the overall average unit rent is adopted

Housing Costs (Cont'd)

- The overall private rentals have increased since the last review in March 2012. As a result, the housing costs on average have increased by 11.4%

<u>Housing costs</u>	<u>Review for 2012/13</u>	<u>Review for 2013/14</u> (% change)
- 1-person	\$3,240	\$3,642 (+12.4%)
- 2-person	\$4,320	\$4,861 (+12.5%)
- 3-person	\$5,814	\$6,506 (+11.9%)
- 4-person	\$7,182	\$7,939 (+10.5%)
- Overall		(+11.4%)

Non-housing Costs

- This year's review adopted the non-housing expenditure statistics from the latest HES (i.e. the 2009/10 HES) of the lower half expenditure group among tenant households in the private sector, excluding those households comprising solely of elderly or non-working members
- For the change in CPI(A) (excluding housing cost), the latest figure as at the fourth quarter of 2012 is +3.1%. As at the third quarter of 2012, the yearly change in nominal wage index (i.e. compared to the third quarter of 2011) was +4.8%
- Using the refined mechanism, the yearly change in nominal wage index (i.e. compared to the third quarter of 2011) of +4.8%, which is higher than the annual change in CPI(A) (excluding housing cost) of +3.1% as at the fourth quarter of 2012, is adopted for adjusting the non-housing expenditure obtained from the HES

Non-housing Costs (Cont'd)

- As a result, the non-housing costs would on average increase by 4.8%

<u>Non-housing costs</u>	<u>Review for 2012/13</u>	<u>Review for 2013/14</u> (% change)
- 1-person	\$4,593	\$4,813 (+4.8%)
- 2-person	\$7,858	\$8,235 (+4.8%)
- 3-person	\$10,431	\$10,932 (+4.8%)
- 4-person	\$12,540	\$13,142 (+4.8%)
- Overall		(+4.8%)

Total Household Expenditure

- The total household expenditure is the sum of the housing costs and non-housing costs
- As compared to the last review in March 2012, the total household expenditure of all household sizes has increased, averaging at 7.2%. This is mainly due to an average increase of 11.4% in housing costs and an average increase of 4.8% in non-housing costs

Total household

<u>expenditure</u>	<u>Review for 2012/13</u>	<u>Review for 2013/14</u> (% change)
- 1-person	\$7,833	\$8,455 (+7.9%)
- 2-person	\$12,178	\$13,096 (+7.5%)
- 3-person	\$16,245	\$17,438 (+7.3%)
- 4-person	\$19,722	\$21,081 (+6.9%)
- Overall		(+7.2%)

Proposed WL Income Limits for 2013/14

- Together with a contingency provision of 5% of household expenditure, the proposed WL income limits for 2013/14 are tabulated below:

	Existing WL income limits for <u>2012/13</u>	Proposed WL income limits for <u>2013/14</u>	% difference in <u>income limits</u>
- 1-person	\$8,740 (\$9,200)	\$8,880 (\$9,347)	+1.6%
- 2-person	\$13,410 (\$14,116)	\$13,750 (\$14,474)	+2.5%
- 3-person	\$17,060 (\$17,958)	\$18,310 (\$19,274)	+7.3%
- 4-person	\$20,710 (\$21,800)	\$22,140 (\$23,305)	+6.9%

(Overall: +6.0%)



Proposed WL Income Limits for 2013/14 (Cont'd)

- If the above proposed WL income limits are adopted, there will be on average an increase of 6.0% over the 2012/13 level overall
- If the proposed income limits are adopted by the SHC, it is estimated that the number of eligible households would increase and some 125 200 non-owner occupied households in the private sector (29.5% of the total number of non-owner occupied households in the private sector) would be eligible for PRH. We would continue to monitor the number of applications on the WL



Review Mechanism of Asset Limits

- The WL asset limits are adjusted with reference to the movements in CPI(A) over the year and are rounded to the nearest thousand
- In 2005, the SHC agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants
- The SHC further decided in 2006 that the asset limits for 2005/06 should be adopted as the basis for future annual adjustments with reference to the movements in CPI(A)

Key Parameter

- The movements of the key parameter (i.e. CPI(A)) over the year for the review of WL asset limits:

	<u>4Q 2011</u>	<u>4Q 2012</u>
Change in CPI(A) as compared with the same quarter of previous year	+5.3%	+4.2%

Proposed WL Asset Limits for 2013/14

- Using the established review mechanism, we propose an adjustment to the existing WL asset limits following the 4.2% increase in overall CPI(A). The proposed WL asset limits for 2013/14 are summarised below –

	<u>Existing WL asset limits for 2012/13</u>	<u>Proposed WL asset limits for 2013/14</u> (% difference in asset limits)
- 1-person	\$203,000	\$212,000
- 2-person	\$274,000	\$286,000
- 3-person	\$359,000	\$374,000
- 4-person	\$418,000	\$436,000
		(Overall: +4.2%)



Implications on the Number of Well-off Tenants

- At present, under the Housing Subsidy Policy (HSP) and Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA), which are collectively known as “well-off tenants policy”, households who have resided in PRH for ten years or above with an income level exceeding prescribed limits need to pay additional rent. Those with income and assets exceeding prescribed limits need to move out of PRH
- The income and asset limits under HSP and SRA are multiples of WL income limits and will be adjusted in line with the revised WL income limits every year
- If the proposed adjustment of WL income limits is endorsed with overall average increase of 6.0%, we do not rule out the possibility that the number of well-off tenants may decrease. However, we are unable to have meaningful assessment of the impact as our computer system does not have information on the present income of all PRH tenants



For Members' Reference

- Members are invited to note the outcome of the review, which will be considered by the SHC at its meeting on 14 March 2013



Thank You