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Panel on Housing

Meeting on 7 March 2016

**Updated background brief on
"Income and Asset Limits for Public Rental Housing"
prepared by the Legislative Council Secretariat**

Purpose

This paper provides updated background information on the income and asset limits for public rental housing ("PRH"), and gives a brief account of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

2. It is the Hong Kong Housing Authority ("HA")'s objective to provide PRH to low-income families who cannot afford to rent private accommodation. The eligibility of PRH applicants is determined by way of the PRH 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 assets 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 them in line with the prevailing socio-economic circumstances.

Review of income limits

3. Under the established mechanism, the PRH income limits are derived using a household expenditure approach, which consists of housing costs

and non-housing costs, plus a contingency provision. Housing costs measure the cost of renting a private flat comparable to PRH. This depends on the differential unit rents of private accommodation and reference flat sizes. The non-housing cost is determined with reference to the latest Household Expenditure Survey ("HES") conducted by the Census and Statistics Department ("C&SD"), with adjustments made according to the latest movement in the Consumer Price Index (A) ("CPI(A)") (excluding housing costs), or the change in the nominal wage index obtained through the Labour Earnings Survey conducted by C&SD as the income factor, whichever is higher. The PRH income limits for different household sizes are the respective sums of the two major cost items, plus a 5% contingency provision. A diagram showing the calculation mechanism is at **Appendix I**.

4. The Subsidised Housing Committee ("SHC") of HA approved at its meeting on 7 February 2013 the refinement to the mechanism for reviewing the PRH income limits, whereby the change in nominal wage index was introduced as the income factor to reflect changes in income (including implementation and changes of the Statutory Minimum Wage ("SMW") before the HES results were updated. According to the Administration, the change in nominal wage index was considered to be a suitable yardstick to gauge changes in income of the PRH target group and to reflect the impact of SMW on income, because it covered occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who were most likely to be the potential applicants for PRH.

Review of asset limits

5. Under the established mechanism, the PRH asset limits are adjusted annually with reference to the movements in CPI(A) over the year under review.

6. In 2005, SHC agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants. SHC further decided in 2006 that the asset limits for 2005-2006 should be adopted as the basis for future annual adjustments, taking into account the respective movements in CPI(A).

Adjustment of PRH income and asset limits

7. The PRH income and asset limits for 2015-2016 have increased by an average of 5.8% and 7.0% respectively over those for 2014-2015. The

PRH income and asset limits of various household sizes for 2015-2016 are in **Appendix II**.

Members' views and concerns

8. The Panel has been monitoring the review of the PRH income and asset limits by discussing the outcomes of the latest review each year. The Panel last discussed the outcomes of the review of PRH income and asset limits for 2015-2016 at its meeting on 2 March 2015. The major views and concerns expressed by members of the Panel are summarized in the ensuing paragraphs.

Raising public housing production to meet the increased demand

9. Members generally supported the proposed increase of the PRH income and asset limits for 2015-2016. Some members were concerned that the pace of public housing production might not catch up with the increased demand of PRH from the households who would become eligible for PRH under the new limits. Some members were further concerned whether the PRH supply target at 200 000 units under the new Long Term Housing Strategy ("LTHS") could meet the increased demand and whether the average waiting time at around three years could be maintained.

10. The Administration advised that housing supply hinged essentially on the availability of land, manpower and financial resources. The new public housing supply target was 290 000¹ units, and the Administration had identified land for construction of 254 000 units. The Administration would spare no efforts in identifying land to meet the shortfall, and to make the best use of the scarce land resource on hand.

Impact of "Well-off Tenants Policies" on demand for public rental housing

11. Some members expressed concern that the "Well-off Tenants Policies" had induced grown-up children of PRH households to split from their existing households in order to maintain the family's PRH tenancy without paying addition rent. This would force the income earning grown-up children to move out of PRH, leaving their aged parents behind. They

¹ The Government published the LTHS Annual Progress Report 2015 on 18 December 2015. The public housing supply target is updated to become 280 000 units, comprising 200 000 PRH units and 80 000 subsidized sale flats.

suggested that the Administration should relax the "Well-off Tenants Policies" so that grown-up children could continue to live with and take care of their parents. The Administration advised that having regard to the divided views on the "Well-off Tenants Policies", HA would consider the views of the public as well as those of members carefully.

Request for raising income limits for PRH applicants opting for flats in urban districts

12. Some members pointed out that the rentals for PRH differed among the urban district, extended urban district and the New Territories. They asked why the "unit rent for a private flat comparable to PRH" factor was not separated accordingly in order to more accurately reflect the housing costs in setting the PRH income limits. There was also call for HA to set a higher income limit for households opting for PRH in the urban district in view of relatively higher housing costs envisaged.

13. The Administration explained that as a PRH applicant might not live in the same district during the period when s/he was waiting PRH allocation, and that one would not know in advance the ultimate district where a PRH flat was allocated to and accepted by an applicant, the mechanism of the annual review would be very complicated if the relevant parameters were to be subdivided based on districts.

Mechanism for reviewing the income and assets limits

14. Pointing out that most low-income households were in fact living in small private flats at a size of around 20m², some members considered it inappropriate that rental rate of private flats with a saleable area of 69.9 m² or below was covered in the sample survey conducted by C&SD. This would lead to an under-estimation of the rentals of smaller flats such as subdivided units ("SDUs"), let alone the fact that the rate of rental increase for smaller flats was usually higher than that of larger flats. Members were also concerned about the fact that the household income of 2-person households with two income earners each earning SMW and worked for 12 hours daily would exceed the proposed PRH income limits. They urged the Administration to improve the review mechanism.

15. The Administration explained that to calculate the housing costs, it had taken into account both the average unit rent data for private accommodation from C&SD's Rent Survey and the average space of flats

allocated to PRH applicants. The Rent Survey was a part of the General Household Survey ("GHS"), which was a continuous sample survey providing objective data on, among others, the rentals of flats of different locations and sizes (including SDUs). GHS had been in place for a long time and had been an important source of household research for different Government bureaux/departments. Referring to members' call to improve the review mechanism, the Administration stated that the PRH income and assets limits were assessed annually to keep them in line with the prevailing socio-economic circumstances.

Council questions

16. At the Council meetings of 28 January, 4 November and 16 December 2015, Dr Hon KWOK Ka-ki, Hon WU Chi-wai and Hon Frederick FUNG Kin-kee raised questions relating to PRH income and asset limits respectively. Issues covered in the questions included measures to ensure the supply of housing, monthly household income of PRH households, and whether the Administration had made an overall assessment as to how the redevelopment of aged PRH estates would facilitate an increase in the supply of public housing. Details of the Council questions and the Administration's responses are hyperlinked in **Appendix III**.

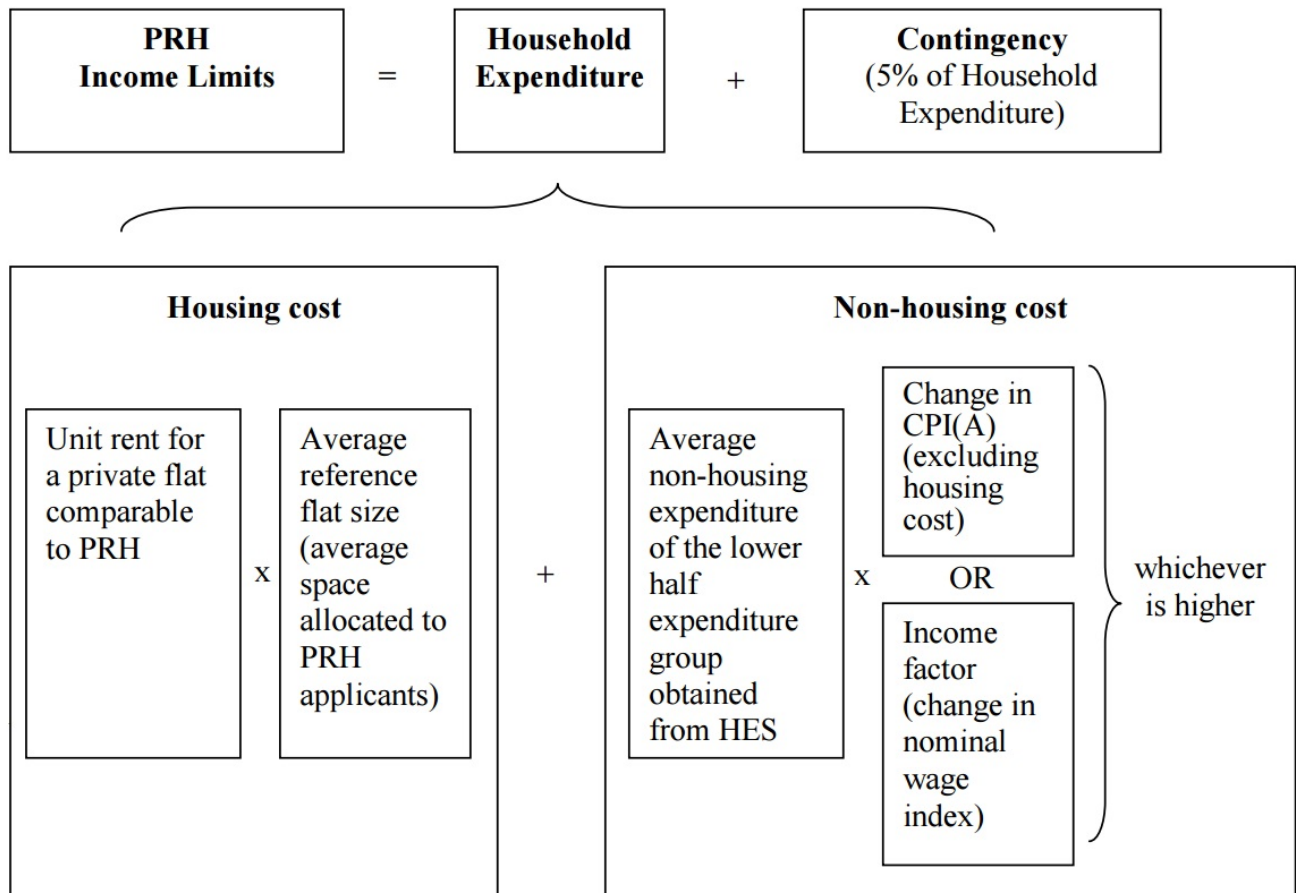
Latest development

17. The Administration will report the findings of the review of the PRH income and asset limits for 2016-2017 at the Panel meeting on 7 March 2016, and will then reflect members' comments on the findings to SHC.

Relevant papers

18. A list of relevant papers is in **Appendix III**.

Mechanism for determining the Public Rental Housing ("PRH") Income Limits



Source: [LC Paper No. CB\(1\)575/14-15\(05\)](#)

Income and Asset Limits for Public Rental Housing for 2015-2016

Household Size	PRH Income Limits for 2015-2016 ^{Note 1}	PRH Asset Limits for 2015-2016 ^{Note 2}
1-Person	\$10,100 (\$10,632)	\$236,000
2-Person	\$16,140 (\$16,989)	\$320,000
3-Person	\$21,050 (\$22,158)	\$417,000
4-Person	\$25,250 (\$26,579)	\$487,000
5-Person	\$29,050 (\$30,579)	\$541,000
6-Person	\$32,540 (\$34,253)	\$585,000
7-Person	\$36,130 (\$38,032)	\$626,000
8-Person	\$38,580 (\$40,611)	\$656,000
9-Person	\$43,330 (\$45,611)	\$724,000
10-Person and above	\$45,450 (\$47,842)	\$780,000

Note ¹ Figures in brackets denote the effective income limits should a household be contributing 5% of its income under the Mandatory Provident Fund Scheme as required by law.

Note ² Asset limits for elderly households (i.e. households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.

Source: Government press release:

<http://www.info.gov.hk/gia/general/201503/17/P201503170558.htm>

Income and Asset Limits for Public Rental Housing

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	3 March 2014	<p>Administration's paper on "Review of Waiting List Income and Asset Limits for 2014/15" (LC Paper No. CB(1)984/13-14(04))</p> <p>Updated background brief on "Waiting List Income and Asset Limits" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)984/13-14(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)1505/13-14)</p>
Panel on Housing	2 March 2015	<p>Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2015/16" (LC Paper No. CB(1)575/14-15(05))</p> <p>Updated background brief on "Waiting List Income and Asset Limits" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)575/14-15(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)786/14-15)</p>

Hyperlinks to relevant Council Questions:

Date	Council Question
28 January 2015	<p>Council question raised by Dr Hon KWOK Ka-ki http://www.info.gov.hk/gia/general/201501/28/P201501280481.htm</p>
4 November 2015	<p>Council question raised by Hon WU Chi-wai http://www.info.gov.hk/gia/general/201511/04/P201511040309.htm</p>
16 December 2015	<p>Council question raised by Hon Frederick FUNG Kin-kee http://www.info.gov.hk/gia/general/201512/16/P201512160366.htm</p>