

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

First meeting on 9 February 2007

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

Adjustment in public rental housing (PRH) rents

1. To facilitate members' understanding of the impacts of different rent adjustment proposals on PRH rents, the Administration is requested to provide the following information:
 - (a) Breakdown by year on the accumulative changes in PRH rents since 1997 if rent adjustment were to be introduced in accordance with movements in each of the following indicators-
 - (i) Consumer price index;
 - (ii) The 10% median rent-to-income ratio (MRIR) cap; and
 - (iii) The proposed income-based index tracking the movement in PRH tenants' household income.
 - (b) In relation to item (a), the information should cover the implication of rent increase waivers and rent remission implemented by the Housing Authority (HA) during the period.
 - (c) The details for working out the proposed 11.6% across-the-board reduction in PRH rents, including factors taken into account and details of the calculation.

Rent adjustment mechanism

2. The Administration is requested to provide written responses on the following views, concerns, and enquiries raised by members:
 - (a) The feasibility of reducing PRH rents first before putting in place the proposed rent adjustment mechanism prescribed in the Bill.
 - (b) The existing Housing Ordinance (HO) (Cap. 283) already allows adjustment of rents both upward and downward. The 10% MRIR cap is to restrain rent increases to ensure PRH rents are within the affordability of tenants. Section 17 of the HO already provides that HA may remit PRH rents. As such, it would be unnecessary to amend the HO to put in place the proposed rent adjustment mechanism. The Administration should explain the feasibility of implementing the proposed rent adjustment mechanism without amending the HO. It should also provide concrete examples to

justify its view that the 10% MRIR provisions are not conducive to the long term sustainability of PRH development.

- (c) With continued prudent financial management, HA will be able to balance its income and expenditure thus enabling sustainable development of PRH in the long run. HA should work out productivity enhancement targets to achieve savings in operating costs. The Administration should explain why given the current financial position of HA, it cannot maintain sustainability in its finance in the long run.
- (d) In connection with item (c), the Administration is requested to provide information on HA's investment income and rental operating account in the past ten years and their projections in the next five years.
- (e) In relation to item (d), the information on HA's rental operating account should cover summary explanation on the itemized breakdown including salaries and depreciations.
- (f) The feasibility of introducing a statutory rent increase cap under the new rent adjustment mechanism to ensure PRH rents would be affordable to tenants. In this connection, the Administration is requested to provide details on relief measures for needy tenants, including possible measures to address needs of tenants who fall marginally outside the Rent Assistance Scheme.
- (g) The feasibility of implementing the proposed rent reduction for PRH estates with retrospective effect to the date when the Bill was introduced in the Legislative Council on 31 January 2007, or from 1 January 2007.
- (h) The purposes for and operation of excluding rent adjustments paid by "well-off tenants" and tenants eligible for the Rent Assistance Scheme from the application of the proposed new rent adjustment mechanism are unclear. The drafting of the new subsection 16A(3) under clause 4 should be improved to properly reflect the policy intent.
- (i) To facilitate smooth implementation of the new rent adjustment mechanism and instill PRH tenants' confidence in the mechanism, the Administration should organize suitable publicity programmes to explain the operation of the new mechanism and promote tenants' awareness. It should also consider commencing the Amendment Ordinance one year after its enactment.