

**The views of Hong Kong Institute of Housing (HKIH) on the impact of removal of provisions relating to the security of tenure and rent control over domestic premises under Part IV of the Landlord and Tenant (Consolidation) Ordinance (Cap.7)**

The HKIH understand that removal of provisions relating to the security of tenure and rent control of domestic premises under Part IV of the Ordinance (removal of the provisions) may have implications to the property market. Yet, the HKIH only wishes to focus on the perspectives of housing management.

Implications on building management:

1. The focus of discussion on the removal of the provisions is usually about “affordability of low income group/class for modest accommodation vs. proactive government intervention into the market mechanism”. For estate type domestic buildings and new buildings, the management fee and the maintenance fee of the common area usually fall on the shoulder of flat owners. Even if the rent collected is exclusive of management fee, once the renters default payment of management fee or maintenance fees which in most of the time included into the management fee, the flat owners have to bear the responsibility at the end of the day. Impact on the removal of the provisions on this type of buildings will not create too much management problems.
2. We are concerned about the management and the maintenance of old single block buildings and old tenement type buildings (these buildings). While collection of management fees and maintenance fees are already a problem in these buildings, we find that flat owners who let out their flats are more apathetic about the management and maintenance of their buildings.
3. Capping rent ceilings simply means capping the income of landlords and limiting their expectancy of further increase of rental during a booming property market. This then pertains to the vicious cycle of apathetic building management and maintenance. As a result, physical conditions of these buildings tend to deteriorate faster and so is the living environment of occupiers who finally suffer. Moreover, the disrepair of these buildings may pose danger to the occupiers as well as the passers-by. Recently, there are examples of casualties caused by disrepair of these buildings.
4. The renters of these buildings are commonly found to be grass-rooters and low income persons since they are unable to afford renting better accommodation units. It is not unusual to find that rented-out units clustered in these buildings. Most of the Owners Incorporations / Mutual Aid Committee, if ever formed in these buildings, are dormant or inactive, because of lack of both responsible and creative manager and source of funding. Unauthorised building structures are commonly found in these buildings because of the lack of management. Thus these buildings are left dilapidating faster than the normal rate.
5. If rent control is in force again, owners who care about their flats will “discriminate against” grass-root renters / low income persons unless they are willing to pay “premium” on top of the normal rental.

6. Under the security of tenure, there is an incentive of sub-leasing of flats which may mean more densely populated environment and more management problems. The renters in these buildings bear the mentality of sojourn and they simply do not care about the up-keeping of the common areas of the buildings. If they are unwilling to move out because they enjoy the benefit under security of tenure, they are only encouraged to be oblivious to the management problems, such as disrepair, unauthorized structures, indiscriminately laid water pipes, drains and cables etc.
7. To strike a balance between provision of modest accommodations within affordability of low income persons, landlord may be easily encouraged by allowing to reap the reasonable return from their investment, whereas renters should be helped or subsidized either in kind, such as public housing with low entrance requirements or in other in kind of subsidy, such as rent allowance coupons granted to renters or tax allowance for landlord if the rental is let out at a lower than market rate. In the information paper CB(1)534/09-10(03), the measures to assist low-income persons in meeting their housing needs are considered as adequate. For renters these buildings who do not want to move into public housing, the government may like to consider subsidy in other form.