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29 March 2010

Clerk to LegCo Panel on Housing
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road, Central
Hong Kong
(Attn: Miss Becky Yu)

Dear Miss Yu,

**Legislative Council Panel on Housing Meeting
on 1 March 2010 – Follow-up Action**

At the meeting of the Panel on Housing on 1 March 2010, the Administration undertook to reflect Members' views and suggestions on the review findings to the consideration of the Housing Authority's Subsidised Housing Committee (SHC). Please refer to **Annex A** for the relevant information. The SHC discussed the matter on 26 March 2010 and agreed to review the Waiting List income and asset limits based on the established review mechanism, with income limits rounded to the nearest ten for all household sizes (and the same rounding rule would apply in future reviews). The relevant limits set out at **Annex B** would be effective from 1 April 2010.

Yours sincerely,

(Anson LAI)
for Secretary for Transport and Housing

**Views Expressed by Members of the LegCo Panel on Housing and
the Department's Comments in 2010
(Extracted from SHC Paper No. 21/2010)**

Views / Suggestions of Members of the LegCo Panel on Housing	The Department's Comments
WL Income Limits	
<i>Housing Expenditure</i>	
<p>1. According to the figures from a local property agency, there is a significant increase in property prices and rent over the previous year. The latest figures of 2009 indicate an increase of 23% over those of 2008. However, the rent data for deriving the housing cost of the WL income limits do not have a lot of changes, with an overall increase of merely 1.3% and the housing expenditure of one-person applicants remains unchanged. Accuracy of the data is doubted.</p>	<ul style="list-style-type: none"> • The coverage, sampling method, concept and purpose of the Rent Survey conducted by C&SD and the analyses carried out by the property agency are totally different. Figures from these two sources cannot be compared directly. • The average unit rent as adopted in the calculation of the “housing cost” of WL income limits is derived from the data of C&SD’s Rent Survey, covering those private flats with size of 69.9 m² saleable area (SA) or below. In each annual review, latest average figures of the fourth quarter (i.e. September to December) are compared with the relevant figures in the previous year to reflect the changes over the year. Adopting latest quarterly figures could balance the fluctuations and at the same time, reflect the latest rent actually paid by existing tenant households in Hong Kong. This calculation methodology was agreed in the comprehensive review in 2002. • Figures from the Rent Survey are adopted as they could reflect the overall situation of rent actually paid by existing tenant households in Hong Kong. The coverage of the Rent Survey include all units in

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	<p>Hong Kong, including single block buildings. Samples are drawn from different districts and building types on proportion.</p> <ul style="list-style-type: none">• However, the data from the property agency only cover new tenancy agreements of about 100 estates being let out through the agency itself. Besides, flats of different sizes are included in the calculation.• Comparing the rent figures on new tenancy agreements of the property agency in December 2009 with those in December 2008, there is a 23% year-on-year increase. Based on the same source of data, comparing figures of the fourth quarter of 2009 (i.e. average figures of October to December 2009) to those of the fourth quarter of 2008, there is only a 16% year-on-year increase. However, it should be noted that the above data only covered new tenancy agreements. They could not reflect the overall situation of rent actually paid by existing tenant households in Hong Kong as with the Rent Survey of C&SD.• For reference, we estimated the rent actually paid by existing tenant households using the same set of rent data of new tenancy agreements from the property agency. Result shows that in the fourth quarter of 2009, as compared to the fourth quarter of 2008, the year-on-year increase of average rent actually paid by existing tenant households is only

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	<p>around 2%, which is similar to the overall increase of 1.3% as reflected in the review of WL income limits which has adopted the data of C&SD's Rent Survey. However, it should be noted that the data from the property agency had not covered all flats in Hong Kong as with the Rent Survey and the data of those flats with size above 69.9m² SA are included in the calculation.</p> <ul style="list-style-type: none"> • We explained the above details to Members of the Panel on Housing of the LegCo during the informal meeting on 17 March.
<p>2. The unit rent adopted for the current review cannot reflect the rent level in individual districts. Taking Shamshuipo as an example, the rent is now \$20 per square foot. It is suggested that the income limits should be calculated on district basis.</p>	<ul style="list-style-type: none"> • Under the existing mechanism, the "housing cost" refers to the expenditure required to rent private accommodation with an average size comparable to a PRH unit so as to reflect the average "housing cost" of households in general. • Overall average "housing cost" is calculated based on the average unit rent of private flats covering all districts as it could reflect the overall situation. This is an objective, consistent and established approach for many years. We do not consider it appropriate to set different income limits for different households currently living in different districts.
<p>3. It is considered that the reference flat size of 15.3m² for one-person applicants is the minimum allocated. It is suggested that a</p>	<ul style="list-style-type: none"> • The reference flat size refers to the average space of the PRH flats allocated to WL applicants in the past three years. Using average

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<p>more relaxed reference flat size be adopted. What is the distribution situation of space allocated to the WL applicants in the past three years?</p>	<p>figures to reflect the general situation is an overall consideration and a more objective approach. In fact, 15.3m² is the average figure and not the minimum space allocated.</p> <ul style="list-style-type: none"> • PRH allocation is conducted in accordance with established allocation standard. The space allocated to the WL applicants in the past three years mainly clustered around the average space allocated in their respective groupings. Only very few households stood at extremely high or low levels. • The practice of using the average space allocated has been adopted for years. The calculation based on the average space allocated in three years has a balancing effect on fluctuations.
<p><i>Income Limit for One-person Applicants</i></p>	
<p>4. Only the income limit for one-person applicants remains unchanged, which is unfair to singletons. The Administration should help the younger generation address their housing needs.</p>	<ul style="list-style-type: none"> • The income limits for all household sizes are consistently derived under the same methodology, adopting a “household expenditure” approach and reviewed according to latest relevant statistics. The review findings reflect the total household income required to rent a private accommodation comparable to PRH while meeting other non-housing expenditure for respective household sizes. • The review methodology of income limits of one-person households is the same as that for other household sizes. Applicants with income below the income limit are deemed unable to afford renting

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	private accommodation, and hence are eligible for PRH.
5. The \$75 increase in the non-housing cost of one-person applicants should be fully reflected in the adjustment of the income limit. What are the number of non-elderly one-person applicants on the WL and waiting time of those non-elderly one-person applicants rehoused?	<ul style="list-style-type: none">• In the last year's review, for one-person applicants, the "housing cost" was \$2,570, "non-housing cost" was \$4,438 and the "total household expenditure" was \$7,008. The "total household expenditure" plus 5% contingency provision was \$7,358. In line with past practice, the sum was rounded to the nearest hundred to \$7,400, which was the income limit adopted for one-person households in 2009/10.• For this year's review, the "housing cost" for one-person households remains the same as last year at \$2,570 while the "non-housing cost" is increased by \$75 to \$4,513. The "total household expenditure" is \$7,083, representing an increase of \$75 as compared to the "total household expenditure" of \$7,008 last year. The "total household expenditure" plus 5% contingency provision is \$7,437. In line with past practice, the sum is rounded to the nearest hundred to \$7,400 as the proposed income limit for 2010/11. The proposed income limit has fully reflected the \$75 increase in "total household expenditure" in the calculation.• The adjustment in "total household expenditure" is based on the "total household expenditure" in the previous year. As such, the \$75 increase in "total household expenditure" should not be added directly to the income limit adopted

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	<p>last year which was a rounded figure (i.e. \$7,400). As mentioned above, in the calculation of the proposed income limit, the \$75 increase in “total household expenditure” has been included.</p> <ul style="list-style-type: none"> • The above calculation methodology applies to the review of income limits of all household sizes. It has been used for many years and agreed in the comprehensive review in 2002. • As at the end of December 2009, there were 49 300 non-elderly one-person applicants under the Quota and Points System on the WL. During 12 months ending December 2009, the average waiting time^{Note 1} for non-elderly one-person applicants rehoused through the Quota and Points System is 1.8 years. The relative priorities for PRH allocation under the Quota and Points System are determined by the points the applicants receive. Points are assigned to the applicants on the basis of their age at the time of application, whether they are PRH tenant and their waiting time. Older applicants receive relatively higher points. The higher the number of points accumulated, the earlier the flat allocation.

Note¹ The applicants' average waiting time for PRH allocation refers to the average waiting time for non-elderly one-person applicants allocated PRH flats under the Quota and Points System in the year. The waiting time refers to the period between the date of first registration and the allocation of PRH flats to applicants, but excluding any frozen time within the application period, such as the period during which the requirement of the residence rule has not yet been fulfilled by the applicant or during imprisonment; and the duration between cancellation of the application and its subsequent reinstatement within the specified timeframe.

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<i>Overall</i>	
<p>6. The proposed upward adjustments to the income limits do not commensurate with the anticipated inflation rate for the coming year. The adjustments are considered falling short of the inflation.</p>	<ul style="list-style-type: none"> • The WL income limits are derived from household expenditure and are reviewed annually to reflect the changes in households' actual expenditure during the year, including the impact of inflation. Updated economic data are adopted in the WL income and asset limits review to reflect the prevailing socio-economic condition. • The review has been conducted year after year consistently in accordance with the established mechanism. The price changes in the coming year will also be reflected in the subsequent review of the WL income limits.
<p>7. In view of the promotion of mutual care of the elderly and the young in recent years, it is suggested to set higher income limits for applicants living with the elderly.</p>	<ul style="list-style-type: none"> • The existing review methodology is based on "household expenditure" approach, which comprises "housing costs" and "non-housing costs". The annual review of the costs is conducted based on objective data. The "total household expenditure", plus a 5% contingency provision, becomes the income limits of the respective household sizes. • The existing calculation mechanism is impartial and objective, while upholding the principle of rational allocation of public housing resources. • The Housing Authority (HA) has put in place various enhanced harmonious families policies to encourage offspring to live with their elderly parents for mutual care. We will continue to

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	<p>implement various enhanced arrangements to promote mutual care of the elderly and the younger generation within the existing framework.</p>
Other Suggestions	
<p>8. In view of the higher expenditure incurred in taking care of family members with physical disability, it is suggested that the relevant limits for families with disabled persons be increased.</p>	<ul style="list-style-type: none"> • Under the existing mechanism, public housing assistance is already provided to cater for persons with special difficulties or health problems. Persons with special difficulties may apply for compassionate rehousing through the recommendation of the Social Welfare Department (SWD) and flexibility in processing the application would be considered depending on individual circumstances. Upon receipt of the SWD's recommendation, the Housing Department will follow up with the applications.
<p>9. Under the proposed limits, 119 200 households are eligible for PRH. How could the coming PRH production be able to meet the pledge of maintaining the waiting time for PRH at three years?</p>	<ul style="list-style-type: none"> • The number of eligible households is estimated by matching the proposed WL income limits with the household income distribution of the non-owner occupied households in the private sector from C&SD's General Household Survey. It has not included any estimation in relation to asset limits. • Not all eligible households will apply for PRH. Application for PRH by individual households depends on their personal choice and family considerations. The actual number of PRH application is also affected by various factors faced by the households in the year such as changes in income, family

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	<p>composition, etc.</p> <ul style="list-style-type: none"> The Public Housing Construction Programme (PHCP) for the coming five years has generally been firmed up. From 2009/10 to 2013/14, the anticipated average new PRH production is about 15 000 flats per year. These new production, coupled with the PRH flats expected to be recovered every year, should ensure the target of maintaining the average waiting time of general WL applicants (excluding non-elderly one-person applicants) at around three years be met.
<p>10. What is the distribution of different types of applications on the WL at present?</p>	<ul style="list-style-type: none"> As at the end of December 2009, there were a total of 125 300 applications on the WL, among which about 49 300 (39%) were non-elderly one-person applicants under the Quota and Points System, and about 7 800 (about 6%) were elderly applicants (including elderly one-person applicants and applicants with all household members being elderly persons). The rest were ordinary family applicants.
<p>11. It is suggested that PRH production be expedited to help families with housing needs be rehoused as soon as possible.</p>	<ul style="list-style-type: none"> The HA will continue to regularly monitor the land supply for public housing development, progress of construction projects and the supply of PRH units, and adjust and roll forward the five-year PHCP every year according to the latest demand situation of PRH with a view to maintaining the average waiting time of general

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	WL applicants (excluding non-elderly one-person applicants) at around three years.

Annex B

The Waiting List Income and Asset Limits for 2010/11 are as follows :

Household Size	Waiting List Income Limit	Waiting List Asset Limit*
1-Person	\$7,440 (\$7,832)	\$187,000
2-Person	\$11,660 (\$12,274)	\$252,000
3-Person	\$13,130 (\$13,821)	\$330,000
4-Person	\$16,070 (\$16,916)	\$384,000
5-Person	\$18,700 (\$19,684)	\$428,000
6-Person	\$21,910 (\$23,063)	\$463,000
7-Person	\$23,680 (\$24,926)	\$494,000
8-Person	\$25,090 (\$26,411)	\$518,000
9-Person	\$27,900 (\$29,368)	\$572,000
10-Person and above	\$29,080 (\$30,611)	\$616,000

* Asset limit for elderly households (including both nuclear and non-nuclear households comprising solely elderly members) is set at two times of the above asset limits.

Figure in () denotes the effective income limit should a household be contributing 5% of its income under the Mandatory Provident Fund Scheme as required by the law.