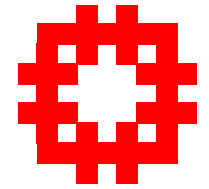


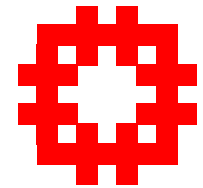
# **Legislative Council Panel on Housing**

## **Second Rent Review for Public Rental Housing**



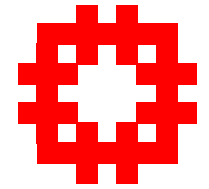
# Rent Adjustment Mechanism for Public Rental Housing

- Section 16A of the Housing Ordinance stipulates the rent adjustment mechanism for public rental housing (PRH). Under this mechanism, tenants' affordability is the factor used to determine PRH rent.
- The income of PRH tenants reflects their affordability. The mechanism provides an objective basis for the Housing Authority (HA) to determine when and to what extent PRH rent should be adjusted.
- The mechanism also promotes the long-term sustainability of the PRH programme.



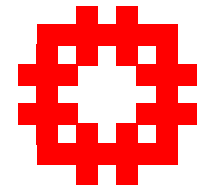
# Rent Adjustment Mechanism for Public Rental Housing

- The HA conducts a rent review every two years and varies the PRH rent according to the change in the income index between the first and second periods covered by the review.
- If the income index for the second period is higher than that for the first period by more than 0.1%, the HA shall increase the PRH rent by the rate of increase of the income index or 10%, whichever is less.
- If the income index for the second period is lower than that for the first period by more than 0.1%, the HA shall reduce the PRH rent by the rate of reduction of the income index.



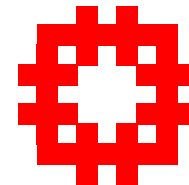
# Rent Adjustment Mechanism for Public Rental Housing

- Under the established mechanism, **a sample of 2 000 PRH households is randomly selected** by the HA **each month**. These PRH households are requested to declare information about their income for the purpose of compilation of the income index. The declaration is mandatory.
- A total of 24 000 PRH households were sampled in each of the first and second periods to reflect household income situation of the tenants.



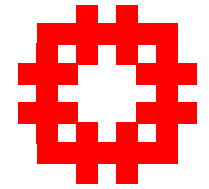
# The First PRH Rent Review

- The first PRH rent review under the established mechanism was conducted in 2010. The review compared the income indices between 2007 (the first period) and 2009 (the second period).



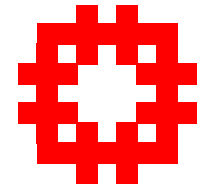
# The Second PRH Rent Review

- This PRH rent review is the second review conducted under the established mechanism.
- 2009
  - the second period of the first rent review
  - the first period (or the base-year) of the second rent review; the data of which is used as the basis for comparison in this rent review
- 2011
  - the second period of the second rent review
  - the first period of the next rent review; the data of which will be used as the basis for comparison in the next rent review



## The Role of the HA

- The HA collects the income data from the sampled households.
- The sampling method and the data collection process were devised by the HA in consultation with the Census and Statistics Department (C&SD) to ensure the correctness, accuracy and representativeness of the Income Survey.

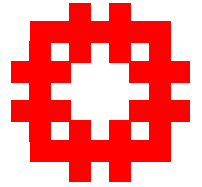


# The Role of the C&SD

- To conduct quality checks on the work of the HA in the Income Survey.
- To compute the income index in its independent capacity in accordance with section 16A(7)(b) of the Housing Ordinance.



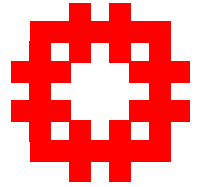
# Outcome of the Second PRH Rent Review



## *(1) Sample Distribution*

- Monthly sampling of 2 000 PRH households is conducted in accordance with the **actual distribution of household size**.
- By design of the proportionate stratified systematic sampling, the **distribution of sampled households by PRH estate and by district is essentially the same as** the actual distribution for all PRH households.

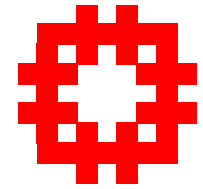
# Outcome of the Second PRH Rent Review



## *(2) Exclusion of Non-representative Households*

- The income index seeks to reflect changes in the household income of PRH tenants over the first and second periods. Its coverage should be PRH tenants with representative household income.
- In computing the income index, **“non-representative” households with considerable income deviation from general PRH households are excluded :**
  - “Well-off tenants”
  - Other households with income higher than the upper outlying levels
  - Comprehensive Social Security Assistance households

# Outcome of the Second PRH Rent Review



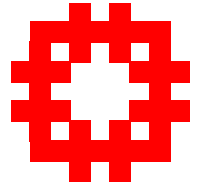
## *Computation of Mean Monthly Household Income*

Exclusion of non-representative households:

	<b>Well-off tenants</b>	<b>Other households with income higher than the upper outlying levels</b>	<b>CSSA households</b>	<b>Sampling units for computation of the income index</b>
<b>2009</b>	939	545	5 367	16 481
<b>2011</b>	881	543	5 507	16 511

- C&SD considers the resultant sample sizes for both the first and second periods form a sound basis for the compilation of the income index.

# Outcome of the Second PRH Rent Review

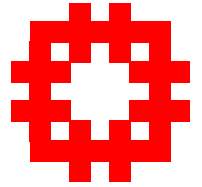


## *(3) Quality Checks*

*The HA implemented the following measures to ensure the quality of the data collected from the Income Survey:*

- Responded to tenants' enquiries regarding any problems encountered when completing the income declaration forms (IDF), and conducted home visits upon request;
- Carried out preliminary vetting of all the returned IDF upon receipt. Followed up with those IDF that were not duly completed or in need of further clarification;
- Adopted a double data entry approach, i.e. the same set of data was input into the computer by two staff members separately, and compared and matched the two sets of data; and
- Conducted consistency check on the information in each IDF during data input by using a computer programme. Any inconsistencies identified were verified with the sampled 12 households concerned.

# Outcome of the Second PRH Rent Review

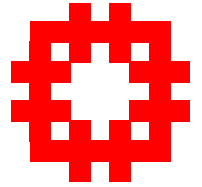


## *(3) Quality Checks*

### *Findings of C&SD's quality checks on the Income Survey:*

- (a) Evaluate if the distribution of the sampled households is in line with the actual distribution of PRH tenants in terms of household size and geographical distribution. **Results indicate that the distribution of the samples is basically the same as the tenancy records, and hence the samples are representative;**
- (b) About 5% of the sampled households who have declared income are randomly selected by the C&SD each month for the HA to request them to submit income documentary proof to support that the information declared is true and correct. **Results show that no tenants knowingly made false statements in the Income Survey, and the income declared is true and correct.**

# Outcome of the Second PRH Rent Review

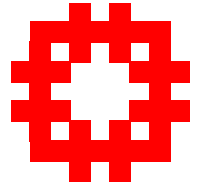


## *(3) Quality Checks*

### *Findings of C&SD's quality checks on the Income Survey:*

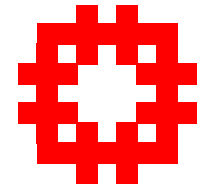
- (c) About 2% of the completed IDF are randomly selected each month to check the accuracy of data input. **Results indicate that the data are accurate and are virtually without irregularities;**
- (d) In processing the data of each month, the C&SD carries out another round of checking using its own computer programme to ensure that all necessary steps were taken. **Results indicate that HD has confirmed / clarified all cases in need of further clarification with the households concerned.**

# Outcome of the Second PRH Rent Review



## *(4) Computation of Mean Monthly Household Income*

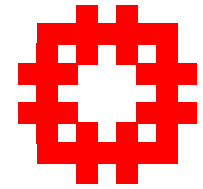
- On the basis of the evidence obtained in the quality checks, C&SD has confirmed that the survey data **accurately reflects** the household income of PRH tenants in both 2009 and 2011.
- The mean monthly household income of PRH tenants in the first period (i.e. 2009) is \$13,579 and this index is set at 100.
- The adjusted mean monthly household income of PRH tenants in the second period (i.e. 2011) is \$15,784. The index of the second period is therefore 116.24.
- Comparing the indices of the first and second periods, there was **an increase of 16.24%**.



# Impact on PRH Tenants

- The average monthly rent is \$1,397 as at December 2011. An adjustment of +10% means an increase of \$139 on average.
- In terms of range, the current range of rent is from \$259 to \$3,525, i.e. an increase ranging from \$25 to \$352.



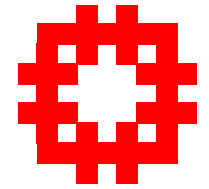


# Impact on PRH Tenants

- In terms of distribution, excluding CSSA households, the monthly rent increase for the remaining some 553 100 PRH households\* is broken down as follows:

<u>Monthly rent increase</u>	<u>No. of tenants (%)</u>
\$50 or less :	7 000 (1%)
\$51 to \$100 :	120 900 (22%)
\$101 to \$150 :	213 000 (39%)
\$151 to \$200 :	102 000 (18%)
\$201 to \$250 :	76 100 (14%)
Over \$250 :	34 100 (6%)

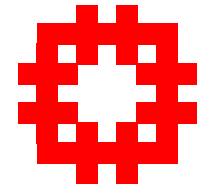
\* Consists of about 517 000 households paying normal rent, about 12 000 households receiving assistance under the HA's Rent Assistance Scheme (RAS) paying either 50% or 75% of the normal rent, and about 24 100 "well-off tenants".



# Assistance / Relief Measures

## *Existing Assistance / Relief Measures*

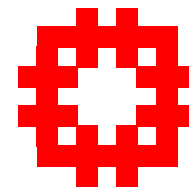
- The CSSA provides a safety net to people who cannot support themselves financially by bringing their income up to a prescribed level to meet their basic needs (currently 146 100 households (or 21%)).
- The HA offers assistance to PRH tenants facing temporary financial difficulties through the Rent Assistance Scheme (RAS) (e.g. those in between jobs). Households meeting the eligibility criteria can receive rent reductions up to 50% (currently 12 000 households (or 2%)).



# Assistance / Relief Measures

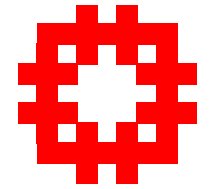
## *Existing Assistance / Relief Measures*

- The Government is paying two-months' rent for PRH tenants in 2012-13 to help ease the pressure of the current economic environment and inflation on the community.
- The Government will be paying rent in full or in part for PRH tenants for the months of July and August 2012.
- The amount for the rent holiday can offset the effect of the rent adjustment in accordance with the second rent review in the two-year review period by 83.3%. This measure will ease the burden on PRH residents to a certain extent and help them cope with the rent increase.



# The Second PRH Rent Review

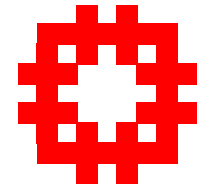
- On 22 May 2012, the SHC of the HA considered the report by the C for C&S and endorsed the outcome of the second rent review exercise under the established rent adjustment mechanism as stipulated in section 16A of the Housing Ordinance.
- PRH rent will be adjusted upwards by 10% on 1 September 2012. PRH tenants will be notified one month in advance of their new rent levels.



# Assistance / Relief Measures

## *Housing Authority's Discussions*

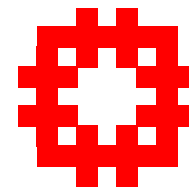
- At the meeting on 22 May and the special follow-up meeting on 24 May, SHC Members had an extensive discussion on whether the HA should introduce relief measures to share the burden of its tenants in the light of the current economic climate and inflationary pressure.



# Assistance / Relief Measures

## *Special Rent Relief Measure*

- The consensus was that the HA should adopt a “sharing of burden” approach on the rent increase, and that on this basis, a rent waiver of one month to be introduced by the HA in September 2012 to all PRH tenants (including well-off tenants) is a measure that balances the different voices in the community.
- A one-month rent waiver would have the practical effect of “reducing” the increase in rent to 5.42% over two years.
- A one-month rent waiver would incur rental forgone on the HA’s part at around \$1 billion.



- Members are invited to note the outcome of the second rent review under the established mechanism and the one month's rent waiver considered by the SHC.