

**Panel on Housing  
Subcommittee on the Long Term Housing Strategy**

**Measures to Maximize the Rational Use of  
Public Rental Housing Resources**

**PURPOSE**

This paper sets out issues considered by the Long Term Housing Strategy Steering Committee (LTHS SC) in relation to maximizing and rationalizing the use of existing public rental housing (PRH) resources.

**BACKGROUND**

2. The Government provides PRH for low-income families who cannot afford private rental accommodation to meet their basic housing needs. The Housing Authority (HA) implements the public housing programme and maintains a Waiting List (WL) of PRH applicants, with the target to maintain the Average Waiting Time (AWT) at around three years for general applicants (excluding non-elderly one-person applicants under the Quota and Points System (QPS)<sup>1</sup>) and at around two years for elderly one-person applicants.

**DEMAND FOR PRH FLATS**

3. As at end-September 2012, there were 110 400 general applicants and 100 000 non-elderly one-person applicants under the QPS on the WL for PRH. The AWT for general applicants and elderly one-person applicants were 2.7 years and 1.4 years respectively.

4. In view of the increasing number of PRH applicants and the public's concern over the waiting time of WL applicants, HA has conducted an analysis on the housing situation of WL applicants based on the data as at end-June 2012. Details are at **Annex A**.

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<sup>1</sup> The QPS was introduced in September 2005 to rationalize and to re-prioritize the allocation of PRH to non-elderly one-person applicants. Under the QPS, there is an annual allocation quota for non-elderly one-person WL applicants, which is set at 8% of the number of flats to be allocated to WL applicants, subject to a maximum of 2 000 units. This is broadly equivalent to the annual average of PRH units allocated to non-elderly one-person applicants over the 10 years before the introduction of QPS in 2005. Within the annual QPS quota, the relative priorities for PRH allocation to applicants are determined by their points received. The three-year AWT target is not applicable to non-elderly one-person applicants under the QPS.

5. HA will continue to address the demand for PRH flats through new production and the recovery of PRH flats. According to HA's Public Housing Construction Programme, there will be a total of some 75 000 new PRH units, with an annual average of about 15 000 new PRH flats, being completed during the five-year period from 2012-13 to 2016-17. The HA has also advanced the completion of two PRH projects (about 3 400 flats) by one year from 2017-18 to 2016-17. With this, the total PRH production of the first five years can be increased to about 79 000 flats. The HA will further increase the supply of PRH, and has adopted a production target of at least 100 000 units in total for the five years starting from 2018.

6. Apart from the new production, records show that on average a net number of about 7 000 PRH flats will be recovered<sup>2</sup> each year for re-allocation to WL applicants, either due to voluntary surrender of flats by sitting PRH tenants or through the enforcement action taken by the Housing Department (HD) against abuse of PRH flats. Taking the new production and the recovered flats together, there would be an average of 22 800 PRH flats available for allocation each year over the next five years.

## **REVIEW OF PRH-RELATED POLICIES**

7. To ensure the rational allocation of PRH flats to maximize the use of existing resources, the current policies and measures on the allocation of PRH flats and the use of the public housing resources will be revisited from time to time by the HA.

### **PRH demand side**

#### ***Quota and Points System (QPS)***

8. It is the current policy of the Government and HA to accord priority to families (i.e. the general applicants) over non-elderly one-person applicants. These applicants are placed on the QPS and are not subject to the about three year AWT pledge. Under the QPS, points are assigned to applicants based on three determining factors, namely, the age of the applicants at the time of submitting their PRH applications; whether the applicants are PRH tenants; and the length of time the applicants stay on the QPS list. Details are as follows –

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<sup>2</sup> Excluding those flats recovered from PRH transferees. As PRH flats have to be offered to transferees, there will not be any net gain of flats.

- (a) Age points – zero point will be given to applicants aged 18. Three points will be given to those aged 19, six points to those aged 20 and so forth;
- (b) PRH points – for applicants currently living with their families in PRH, 30 points will be deducted; and
- (c) Waiting time points – one additional point will be given for each month the applicant has been on the WL.

9. On the non-elderly one-person applicants, we have conducted a desktop analysis on their profile. According to HA's 2012 Survey on WL Applicants for PRH, in March 2012, there were a total of 87 800 (46% out of a total of 189 500 applicants on the WL) non-elderly one-person applicants under the QPS. Of these 87 800 applicants, 65% (57 200) were aged 35 or below. Within this group, 34% were students when they applied for PRH, 47% of them had post-secondary or above education attainment and 33% were PRH tenants. However, for those aged above 35, only 7% of them had attained post-secondary or higher education.

## **PRH supply side**

### ***“Well-off Tenants Policies”***

10. HA's Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA) are commonly referred to as “Well-off Tenants Policies”. Information about HSP and SRA are at **Annex B**. In gist, under the “Well-off Tenants policies”, households living in PRH for ten years or more are required to declare household income biennially. Those with a household income exceeding the prescribed income limits, namely the Subsidy Income Limits, have to pay 1.5 times or double net rent plus rates. Those with total household income and net assets value both exceeding the prescribed income and asset limits are required to vacate their PRH flats.

### ***Under-occupation policy in PRH Estates***

11. To rationalize the use of public housing resources, HA has put in place a policy of under-occupation with prescribed standards to require households with excessive living space for one reason or another, for example as a result of deletion of family members, to move to another PRH flat of an appropriate size. A step-by-step approach is currently adopted to deal with the

prioritized under-occupation cases. Currently the focus is on those families or individuals with an average living density exceeding 34 m<sup>2</sup> of internal floor area (IFA) per person without elderly or disabled family members. Details of the under-occupation policy are set out at **Annex C** for Members' reference.

12. The HA recovers bigger flats, mainly one-bedroom flats, through the under-occupation policy for re-allocation to families in genuine need. This is an important contribution to address the needs of the WL applicants, especially as our analysis at Annex A shows that bigger flats are in demand.

### ***Overcrowding Relief Arrangements***

13. Under the prevailing allocation policy, the HD arranges allocation of flats of an appropriate size to PRH applicants according to their family sizes and the prescribed allocation standards<sup>3</sup>. Households are defined as overcrowded families if the IFA in the flats are less than 5.5 m<sup>2</sup> per person subsequent to addition of family members due to marriage, new born or family members settling in Hong Kong.

14. Overcrowded families can apply through the Territory-wide Overcrowding Relief (TWOR) Transfer Exercise for relocation to larger flats. Those families with IFA below 7 m<sup>2</sup> per person can apply through the Living Space Improvement Transfer Scheme (LSITS) to improve their living conditions. HD usually arranges a couple of TWOR exercises and one LSITS exercise per year, subject to availability of housing resources<sup>4</sup>.

15. The number of overcrowded PRH families in 2001 was 18 000. Through the concerted effort over the years, this figure dropped to 4 600 as at March 2007 and then to 3 200 as at March 2012.

### ***Redevelopment of aged PRH estates***

16. To ensure an adequate and steady production of PRH, apart from liaising closely with Government departments concerned to identify suitable

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<sup>3</sup> Housing Department has set standards of allocation ranges for various flat types with different area so that allocation can be flexibly made to applicants of different household sizes. Taking New Harmony flats as example, a 1-bedroom flat (Internal Floor Area around 30 m<sup>2</sup>) can be allocated to a 3-4 person family; a 2-bedroom flat (Internal Floor Area around 40 m<sup>2</sup>) can be allocated to a 4-5 person family etc. Other flat types also have similar allocation ranges.

<sup>4</sup> Flat selection priority of the eligible applicants is determined based on the order of a higher living density, larger household size and longer residence. Balloting will be conducted if the above three conditions are the same. Applicants with ten years or above PRH residence can apply to opt for transfer to any districts.

new sites for PRH, HA is also examining the redevelopment potential of existing aged PRH estates with a view to optimizing plot ratio for better utilization of the valuable land resources and additional PRH production. HA now considers the following factors in determining the redevelopment potential of PRH estates -

- (a) structural safety and economic repair of the housing blocks under Comprehensive Structural Investigation Programme;
- (b) potential of flat gain after redevelopment; and
- (c) availability of suitable reception resources for rehousing the affected tenants.

17. Since adopting the above refined redevelopment policy, HA has announced the redevelopment of Pak Tin Estate, which will involve an increase of about 2 150 PRH flats (60%) after redevelopment. HD has formed a special working group to assess the older estates against the factor set out above and will make recommendations to the HA on the estates to be targeted for redevelopment in due course. Care will be taken not to reveal which estates are being considered in order not to cause undue anxiety among tenants.

### ***Measures to tackle abuse of PRH***

18. HD carries out rigorous investigations into occupancy-related cases. This involves investigations into randomly selected units from among the 708 000 PRH tenancies as well as suspected abuse cases referred by frontline management and the public. HD also randomly selects cases in various categories of high risk tenancies (such as new intake households, singleton tenancies and singleton households allocated through Express Flat Allocation Scheme) to deter and detect tenancy abuses. Details of the current measures to tackle abuse of PRH are at **Annex D**. In 2013/14, HD plans to implement additional measures to tackle tenancy abuses. Details are set out at **Annex E**.

### **ADVICE SOUGHT**

19. Members' views on measures to maximize the rational use of PRH resources will be passed to the LTHS SC, and the HA for further consideration and implementation.

## **ANALYSIS ON THE HOUSING SITUATION OF WAITING LIST APPLICANTS**

As at end-June 2012, there were about 106 100 general applicants (representing 19% increase as compared to end-June 2011) and 93 500 non-elderly one-person applicants under the Quota and Points System (QPS, representing 40% increase as compared to end-June 2011) on the Waiting List (WL) for public rental housing (PRH). The Average Waiting Time (AWT) for general applicants and elderly one-person applicants were 2.7 years and 1.4 years respectively as at end-June 2012.

2. As the AWT is an average figure for all housed general applicants, this means that there would inevitably be applicants whose waiting time exceeds three years. To examine the distribution of waiting time in detail, the Housing Authority (HA) has conducted an analysis on two different groups of applicants, namely:

- (a) the 15 000 general applicants housed between July 2011 and June 2012 (the housed general applicants); and
- (b) the 106 100 general applicants still on the WL as at end-June 2012 (the general applicants on the WL).

The analysis for item (a) provides information complementary to AWT as at end-June 2012, since the analysis has been carried out on the same pool of households (i.e. housed general applicants between July 2011 and June 2012). On item (b), the focus of the analysis is on applicants currently on the WL who have yet to receive the first offer three years after registration.

3. The key result of the analysis is that for the housed general applicants (paragraph 2 (a) refers), over half (55%) of them received their first offer within three years. This is in line with the AWT of 2.7 years for the housed general applicants as at end-June 2012. As for general applicants on the WL (paragraph 2(b) refers), 15% have waiting time of three years or more and without any offer. Half (50%) of these applicants have already reached the detailed investigation stage and would be given an offer soon if they are eligible.

(a) *The housed general applicants*

4. HA has the following observations on the distribution of the 15 000 housed general applicants –

- (i) among the housed general applicants, 35% received their first offer within two years and over half (55%) got the first offer within three

years. This is consistent with the average AWT of 2.7 years for housed general applicants as at end-June 2012;

- (ii) 45% of the housed general applicants (6 790) received their first offer at or after three years, representing an increase of 15 percentage points as compared with the situation in June 2011. Among these 6 790 applicants, about 72% opted for flats in the Urban District, whereas 23% opted for flats in the Extended Urban District. In general, this reflects the popularity of the Urban and the Extended Urban Districts, and thus applicants opting for flats in the two Districts were more likely to have a longer waiting time than in other Districts; and
- (iii) among the 6 790 housed general applicants who received their first offer at or after three years, over half (52%) received the first offer at around three to four years, and about 43% received the first offer at around four to five years. In respect of the household size, about 78% of these 6 790 households were two-person and three-person households opting for flats in the Urban and Extended Urban Districts.

(b) *The general applicants on the WL*

5. Among the 106 100 general applicants on the WL as at end-June 2012, there were about 15% (15 700 applicants) with waiting time<sup>1</sup> of three years or above and without any flat offer, representing an increase of two percentage points as compared with the situation in June 2011. The analysis of these 15 700 general applicants on the WL who had waited for three years or above and without any flat offer is as follows –

- (i) about half (50%) of them (7 800 cases) have already reached the investigation stage. For applicants reaching investigation stage, detailed vetting would be arranged soon with allocation of units to follow for those found eligible. As regards the remaining 7 900 cases which have not reached the investigation stage, they are mainly opting for flats in the Urban and Extended Urban Districts. As analyzed above, waiting time for these two districts is generally longer than that in other districts;
- (ii) the majority (62%) of them have chosen the Urban District, while about 35% of the applicants have chosen the Extended Urban

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<sup>1</sup> It should be noted that the waiting time for applicants on the WL is not a particularly useful reference as it only shows the specific situation at a given point in time. The waiting time of successful applicants would eventually be reflected in the AWT when they are housed

District. With the steady supply of new flats in the Urban and Extended Urban Districts in the next few years<sup>2</sup>, more flats would be available to meet the demand from these applicants; and

- (iii) on the distribution of the waiting time, among these 15 700 general applicants on the WL, 70% had waiting times of around three to four years and 21% had waiting times around four to five years. In terms of household size, about 73% of these 15 700 general applicants on the WL are three and four-person households opting for flats in the Urban and Extended Urban Districts.

6. When compared to the figures of June 2011, there were more housed general applicants who received their first offer at or after three years (an increase of 15 percentage points from 30% to 45%), and there were also more general applicants on the WL who had waited for more than three years and who had yet to receive the first offer (an increase of two percentage points from 13% to 15%).

#### *Frozen time*

7. As a number of applicants have experienced frozen time while they are waiting for PRH flats, we have also conducted an analysis on the frozen applications. An application can be frozen for various reasons, for example, when the applicant has yet to fulfill the seven-year residence requirement<sup>3</sup> for flat allocation, the applicant has requested to put on hold his application pending family reunion, the applicant is in jail, or the applicant was evicted from PRH units due to previous misdeeds under the Marking Scheme or rent in arrears.

8. In fact, at any one time in point, there are applications frozen for the above reasons. For example, as at end-June 2012, among the 106 100 general applications on the WL, about 5 250 (5%) were frozen. Details are set out in the table below -

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<sup>2</sup> According to the June 2012 Public Housing Construction Programme, there will be 22 900 and 10 200 newly completed flats available for allocation in the Urban and Extended Urban Districts respectively in 2012-13 to 2014-15.

<sup>3</sup> To facilitate the integration of new arrivals into society of Hong Kong, HA has reviewed and relaxed the seven-year residence rule on several occasions in the past years. At present, eligible WL applicants would have already fulfilled the seven-year residence rule when half of the family members have lived in Hong Kong for seven years at the time of PRH allocation. No matter whether the main applicant can satisfy the residence rule, if at least half of the members of the applicant family satisfy the seven-year residence rule at the time of allocation, a PRH flat can be allocated to them when their turn is due. All members under the age of 18 are deemed to have satisfied the seven-year residence rule if either they have established the birth status as permanent residents in Hong Kong or, regardless of their place of birth, one of their parents has lived in Hong Kong for seven years. The current arrangement can facilitate the integration of new arrivals into society of Hong Kong.



<b>Reason</b>	<b>Frozen cases as at end-June 2012</b>
Residence Requirement	5 020
Request by applicant (e.g. pending family reunion)	120
Institutional Care (e.g. imprisonment)	60
In relation to misdeed in previous PRH tenancy (e.g. rent in arrears and marking scheme)	60
<b>Total</b>	<b>5 250</b>

Note: Figures do not add up to total due to rounding. Values of one thousand or above are rounded to the nearest hundred and values below one thousand are rounded to the nearest ten.

9. For these cases, applicants are allowed to remain on the WL even though their applications are frozen. This would allow them to be registered earlier and hence have higher priority in the queue, although they have not fulfilled all criteria for housing yet. The applicants are likely to perceive the frozen time as part of their waiting time, while in reality they are not qualified for allocation of PRH units for various reasons during that period.

**“WELL-OFF TENANTS POLICIES”**

The Housing Authority (HA)’s Housing Subsidy Policy (HSP) and Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA) are commonly referred to as “Well-off Tenants Policies”.

*HSP*

2. Under the HSP, households living in PRH for ten years or more are required to declare household income biennially. Those with a household income exceeding the corresponding Subsidy Income Limits (SILs) have to pay additional rent: (i) those with household income equivalent to two to three times of the Waiting List Income Limits (WLILs) are required to pay 1.5 times net rent plus rates; and (ii) those with household income exceeding three times of the WLILs are required to pay double net rent plus rates. The WLILs are subject to annual review. Those effective from 1 April 2012 are as follows –

Household Size	SIL (per month)	
	Households with income in the following ranges are required to pay 1.5 times net rent plus rates	Households with income exceeding the following limits are required to pay double net rent plus rates
1 person	\$17,481 - \$26,220	\$26,220
2 persons	\$26,821- \$40,230	\$40,230
3 persons	\$34,121 - \$51,180	\$51,180
4 persons	\$41,421- \$62,130	\$62,130
5 persons	\$47,281- \$70,920	\$70,920
6 persons	\$53,181- \$79,770	\$79,770
7 persons	\$59,121- \$88,680	\$88,680
8 persons	\$63,241- \$94,860	\$94,860
9 persons	\$70,721- \$106,080	\$106,080
10 persons or more	\$74,301- \$111,450	\$111,450

## SRA

3. Households paying double net rent plus rates under the HSP have to declare assets biennially. Those with total household income and net assets value both exceeding the prescribed Income and Net Assets Limits are required to vacate their PRH flats. The current Net Assets Limits are set at 84 times of the 2012-13 WLILs. The WLILs are reviewed annually. The prescribed Income and Net Assets Limits effective from 1 April 2012 are as follows –

Household Size	Income Limits (per month) (three times 2012-13 WLIL)	Net Assets Limits (84 times 2012-13 WLIL)
1 person	\$26,220	\$740,000*
2 persons	\$40,230	\$1,130,000*
3 persons	\$51,180	\$1,440,000*
4 persons	\$62,130	\$1,740,000
5 persons	\$70,920	\$1,990,000
6 persons	\$79,770	\$2,240,000
7 persons	\$88,680	\$2,490,000
8 persons	\$94,860	\$2,660,000
9 persons	\$106,080	\$2,980,000
10 persons or more	\$111,450	\$3,130,000

\* The net assets limits for small households at sizes of one-person to three-person with all members aged over 55 are the same as that of a four-person household i.e. \$1,740,000.

4. Households who are required to vacate their PRH flats but have a temporary housing need may apply for a fixed-term licence to stayput in the PRH for a period of not more than 12 months, during which licence fee equivalent to the double net rent plus rates or market rent, whichever is the higher, is charged.

5. Households exempted from declaration of income and assets under the “Well-off Tenants Policies” are: (a) whose members are all aged 60 or above; or (b) with all members receiving Comprehensive Social Security Assistance; or (c) who are on shared tenancies.

6. As at end-December 2012, there were some 400 000 households required to declare income and/or assets under the “Well-off Tenants Policies”. Among the total of 708 000 PRH households under HA, 19 300 were paying 1.5 times rent and 2 600 were paying double rent.

**UNDER-OCCUPATION POLICY  
IN PUBLIC RENTAL HOUSING ESTATES**

To rationalize the use of public housing resources, the Housing Authority (HA) has put in place a policy of under-occupation with the following prescribed standards to require households with excessive living space as a result of deletion of family members for one reason or another to move to another PRH flat of appropriate size:

Household size	1 person	2 persons	3 persons	4 persons	5 persons	6 persons
Under-occupation Standard (Internal Floor Area (IFA) in m <sup>2</sup> )	>25	>35	>44	>56	>62	>71

2. A step-by-step approach is currently adopted to deal with the prioritized under-occupation cases, i.e. those of average living density exceeding 34 m<sup>2</sup> per person without elderly or disabled family members.

3. As incentives, HA offers those prioritized under-occupied households a total of four housing offers in the residing estate or an estate in the same District Council constituency, Domestic Removal Allowance, and opportunity for transfer to new estates subject to availability of housing resources. If the households refuse all the four housing offers without justified reasons, notices-to-quit would be issued to terminate the tenancies.

4. The Housing Department resolved an average of 3 700 cases per year from 2007-08 to 2012-13 (up to November 2012). Among them, some 1 000 were cases involving transfer to small flats.

## **MEASURES TO TACKLE ABUSE OF PUBLIC RENTAL HOUSING**

The Housing Department (HD) investigates proactively and rigorously into income/assets declaration of the public rental housing (PRH) tenants, including those suspected cases referred by frontline management and the public as well as randomly selected cases of income/assets declarations made under the “Well-off Tenants Policies”. In 2011-12, rigorous checks on some 5 800 such randomly selected cases and suspected cases were conducted. Some 600 suspected false statements were detected in these cases.

2. Pursuant to Section 22 of the Housing Ordinance, staff of HD conducts flat inspection biennially to verify the use and occupation conditions of the PRH units. Upon completion of the last Biennial Inspection Cycle in end-October 2012, home visits to all of the 703 000 PRH tenancies were conducted.

3. HD also proactively carries out rigorous investigations on occupancy-related cases randomly selected from the 703 000 PRH tenancies and suspected abuse cases referred by frontline management and the public. In 2011-12, HD investigated some 8 500 randomly selected cases and suspected cases. 470 PRH flats were recovered.

4. Apart from the above, HD randomly selected some 2 000 cases in various categories of high risk tenancies (such as new intake households, singleton tenancies and singleton households allocated through Express Flat Allocation Scheme) to deter and detect tenancy abuses in 2011-12. As at end-December 2012, some 100 suspected tenancy abuse cases were uncovered.

**2013/14 Additional Measures to Tackle Abuse of Public Rental Housing**

- (a) To redeploy 30 extra experienced estate staff to the Central Team to step up action to tackle tenancy abuses and to conduct 5 000 additional checkings of tenants' income/assets declarations;
- (b) to carry out a two-week special Inspection Operation in 30 blocks, selected from six management districts in accordance with individual circumstances of estates such as complaint cases, manpower resources etc, by frontline management staff in mid-2013 to further the level of understanding of tenants' occupancy conditions and to detect suspected tenancy abuse cases;
- (c) to conduct intensive patrols in older PRH estates which are more prone to tenancy abuse;
- (d) to conduct online patrols of the world wide web with a view to detecting cases of sub-letting of PRH flats;
- (e) to step up monitoring measures by security guards to detect suspected abuse cases since mid-2013;
- (f) to hold partnering functions with all the Estate Management Advisory Committees to promote tenants' awareness of the value of public housing resources and to encourage tenants and the public to report suspected abuse cases; and
- (g) to strengthen the education and promotion programme to promote awareness of the need to respect and husband carefully public housing resources.