

**Legislative Council Panel on Housing**

**Review of Waiting List Income and Asset Limits for 2013/14**

**PURPOSE**

This paper briefs Members on the outcome of the review of the Waiting List (WL) income and asset limits for 2013/14.

**THE REVIEW**

2. The outcome of the review is set out in the Memorandum for the Housing Authority's Subsidised Housing Committee (SHC) as attached. Overall, the proposed income and asset limits for 2013/14 will increase by an average of 6.0% and 4.2% respectively over those for 2012/13.

3. Members are invited to note the outcome of the review, which will be considered by the SHC on 14 March 2013.

**Transport and Housing Bureau  
February 2013**

**Memorandum for the Subsidised Housing Committee of  
the Hong Kong Housing Authority**

**Review of Waiting List Income and Asset Limits for 2013/14**

**PURPOSE**

This paper seeks Members' endorsement of the proposed Waiting List (WL) income and asset limits for 2013/14.

**BACKGROUND**

2. The Housing Authority (HA) has put in place a WL system through which low-income families who cannot afford to rent private accommodation may apply for public rental housing (PRH). The eligibility of PRH applicants is determined by way of the WL income and asset limits, which measure the total household income required to rent private accommodation comparable to PRH while also meeting other non-housing expenditure. Households with income and asset below the prescribed limits are deemed to be unable to afford to rent private accommodation, and hence are eligible for PRH. These are assessed annually to keep abreast with the prevailing socio-economic circumstances.

**REVIEW OF INCOME LIMITS**

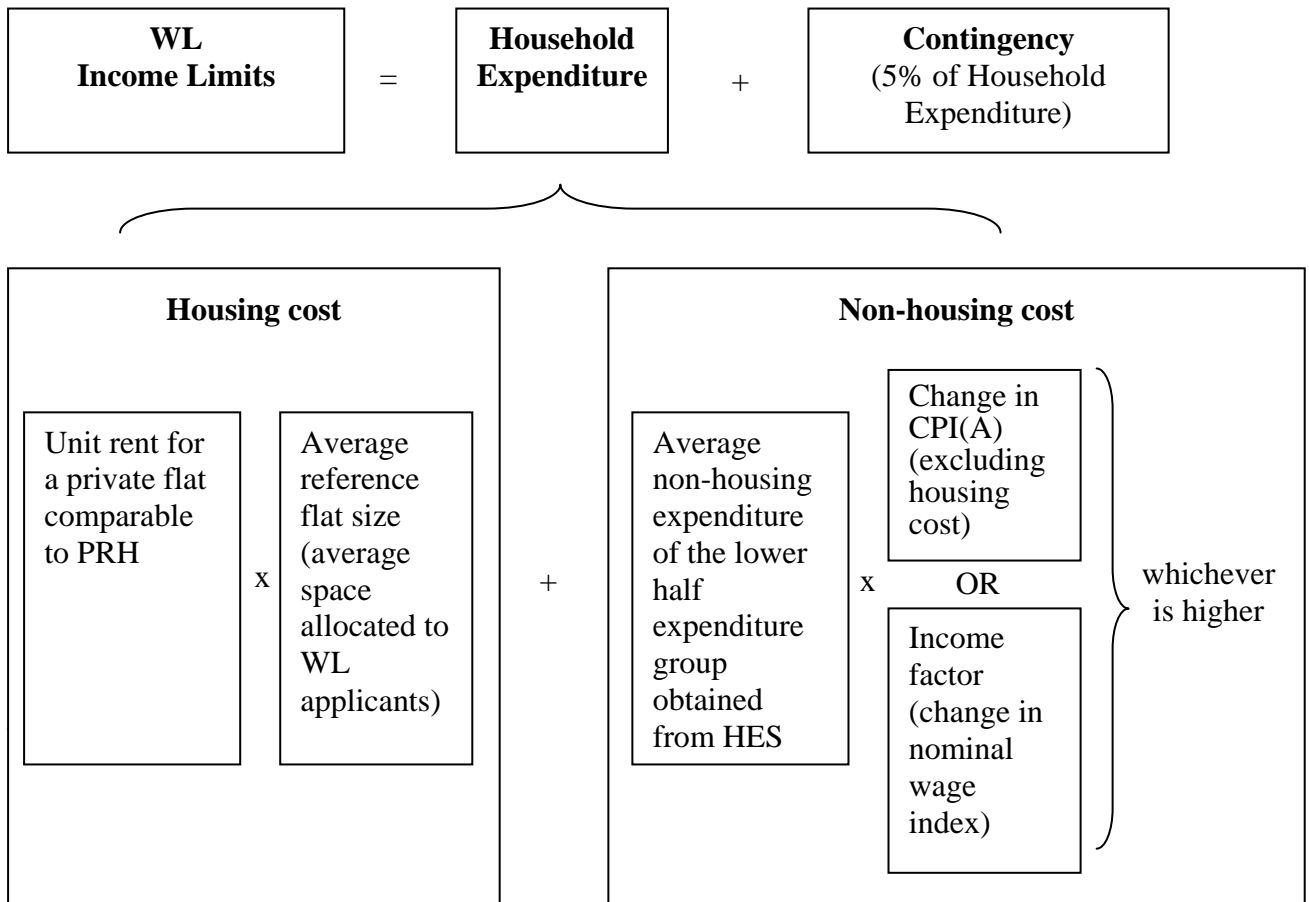
***Review Mechanism***

3. Under the established mechanism, the WL income limits are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision. Housing costs measure the cost of renting a private flat comparable to PRH. This depends on the differential unit rents of private accommodation and reference flat sizes. The non-housing cost is determined with reference to the latest Household Expenditure Survey (HES) conducted by the Census and Statistics Department (C&SD), with adjustment according to the latest movement in Consumer Price Index (CPI)(A)(excluding housing costs). The WL income limits for different

household sizes are the respective sums of the above two major cost items, plus a 5% contingency provision, and rounded to the nearest ten.

4. At its meeting on 7 February 2013, the Subsidised Housing Committee (SHC) considered a revised mechanism to determine WL income limits vide, Paper No. SHC 7/2013. The SHC noted that the current expenditure-led review mechanism had worked well and had provided an objective basis on which to assess the affordability of households applying for PRH. The SHC also noted that although changes in income (including the implementation and changes of the Statutory Minimum wage (SMW)) would be reflected in the changes in expenditure in the long run, they might not be reflected in a timely manner in the WL income limits before the HES results are updated. Through the introduction of an **income factor**, even if the change in CPI(A) of non-housing items is lower than the change in income level, the non-housing cost component can still be adjusted in accordance with the change in income level. In this regard, the change in nominal wage index was considered to be a suitable yardstick to be used to gauge changes in income of the PRH target group and to reflect the impact of SMW on income. The nominal wage index covers occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who are most likely to be the potential applicants for PRH.

5. Accordingly, the SHC approved at its meeting on 7 February 2013 the refinement to the mechanism for reviewing the WL income limits, whereby the non-housing cost component would be adjusted by either the change in CPI(A)(excluding housing cost) or the change in nominal wage index obtained through the Labour Earnings Survey (LES) conducted quarterly by C&SD as the income factor, whichever is higher. The refinement aimed to take into account the changes in income, including implementation of the SMW, while maintaining the expenditure-led review mechanism which functions well. The SHC agreed to adopt the refined mechanism for the review of the WL income limits for 2013/14. The refined mechanism is summarized in the following diagram –



6. The movements of the key parameters over the year for the review of WL income limits are set out as follows –

**Table 1**

<b>Parameters</b>	<b>Review for 2012/13</b>	<b>Review for 2013/14</b>
	<b><u>4Q 2011</u></b>	<b><u>4Q 2012</u></b>
(a) Differential unit rents of private flats (per m <sup>2</sup> Internal Floor Area (IFA))		
- 1-person	\$200	\$232
- 2-person	\$192	\$217
- Overall	\$190	\$214
	<b><u>2008/09 – 2010/11</u></b>	<b><u>2009/10 – 2011/12</u></b>
(b) Reference flat size, i.e. average space (in terms of IFA) of flats allocated to WL applicants		
- 1-person	16.2m <sup>2</sup>	15.7m <sup>2</sup>
- 2-person	22.5m <sup>2</sup>	22.4m <sup>2</sup>
- 3-person	30.6m <sup>2</sup>	30.4m <sup>2</sup>
- 4-person	37.8m <sup>2</sup>	37.1m <sup>2</sup>
	<b><u>4Q 2011</u></b>	<b><u>4Q 2012</u></b>
(c) CPI(A)(excluding housing cost)	106.4	109.7 (+3.1%)
		<b><u>3Q 2012</u></b>
(d) Change in nominal wage index as compared with the same quarter of previous year <sup>Note 1</sup>		+4.8%

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Note 1 As the summary statistics of LES are presented in the Quarterly Report of Wage and Payroll Statistics published by C&SD in March, June, September and December each year, the SHC agreed at its meeting on 7 February 2013 that a yearly comparison can be made by using figures published in December (i.e. the nominal wage index in the third quarter) to fit in with the established schedule for conducting the review of WL income and asset limits for the new limits to come into effect on 1 April every year.

### ***Housing Costs***

7. Under the established mechanism, housing costs include rent payment, rates, Government rent and management fees required for a household to rent a private flat of comparable size to PRH. The exact figure is obtained by multiplying the average space <sup>Note 2</sup> allocated to WL applicants in the past three years by a unit rent derived from a sample survey of private dwellings conducted by the C&SD. For households of 1-person and 2-person, the respective differential unit rent or the overall average unit rent, whichever is higher, is adopted in the calculation; for households of 3-person or above, the overall average unit rent is adopted.

8. As shown in Table 1 above, the overall private rentals have increased since the last review in March 2012. As a result, the housing costs on average have increased by 11.4%. Details are shown in Table 2 below –

**Table 2**

<b>Housing costs</b>	<b>Review for 2012/13</b>	<b>Review for 2013/14 (% change)</b>
- 1-person	\$3,240	\$3,642 (+12.4%)
- 2-person	\$4,320	\$4,861 (+12.5%)
- 3-person	\$5,814	\$6,506 (+11.9%)
- 4-person	\$7,182	\$7,939 (+10.5%)
- Overall		(+11.4%)

### ***Non-housing Costs***

9. Following the established mechanism, this year's review adopted the non-housing expenditure statistics from the latest HES (i.e. the 2009/10 HES) of the lower half expenditure group among tenant households in the private sector, excluding those households comprising solely of elderly or non-working members. For the change in CPI(A)(excluding housing cost), the latest figure as at the fourth quarter of 2012 is +3.1%. As at the third quarter of 2012, the yearly change in nominal wage index (i.e. compared to the third quarter of 2011) was +4.8%. Using the refined mechanism, the yearly change

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Note 2 All Home Ownership Scheme (HOS) flats which were transferred to PRH and 3-bedroom flats allocated to 4-person households are excluded from the calculation.

in nominal wage index (i.e. compared to the third quarter of 2011) of +4.8%, which is higher than the annual change in CPI(A)(excluding housing cost) of +3.1% as at the fourth quarter of 2012, is adopted for adjusting the non-housing expenditure obtained from the HES.

10. As a result, the non-housing costs would on average increase by 4.8%. Details are shown in Table 3 below –

**Table 3**

<b>Non-housing costs</b>	<b>Review for 2012/13</b>	<b>Review for 2013/14 (% change)</b>
- 1-person	\$4,593	\$4,813 (+4.8%)
- 2-person	\$7,858	\$8,235 (+4.8%)
- 3-person	\$10,431	\$10,932 (+4.8%)
- 4-person	\$12,540	\$13,142 (+4.8%)
- Overall		(+4.8%)

***Total Household Expenditure***

11. The total household expenditure, which is the sum of the housing costs and non-housing costs, is shown in Table 4 below. As compared to the last review in March 2012, the total household expenditure of all household sizes has increased, averaging at 7.2%. This is mainly due to an average increase of 11.4% in housing costs and an average increase of 4.8% in non-housing costs.

**Table 4**

<b>Total household expenditure</b>	<b>Review for 2012/13</b>	<b>Review for 2013/14 (% change)</b>
- 1-person	\$7,833	\$8,455 (+7.9%)
- 2-person	\$12,178	\$13,096 (+7.5%)
- 3-person	\$16,245	\$17,438 (+7.3%)
- 4-person	\$19,722	\$21,081 (+6.9%)
- Overall		(+7.2%)

***Proposed WL Income Limits for 2013/14***

12. Together with a contingency provision of 5% of household expenditure, the proposed WL income limits for 2013/14 are tabulated below –

**Table 5**

	<b>Existing WL income limits for 2012/13</b> <sup>Note 3</sup>	<b>Proposed WL income limits for 2013/14</b> <sup>Note 3</sup>	<b>% difference in income limits</b>
- 1-person	\$8,740 (\$9,200)	\$8,880 (\$9,347)	+1.6%
- 2-person	\$13,410 (\$14,116)	\$13,750 (\$14,474)	+2.5%
- 3-person	\$17,060 (\$17,958)	\$18,310 (\$19,274)	+7.3%
- 4-person	\$20,710 (\$21,800)	\$22,140 (\$23,305)	+6.9%
			(Overall: +6.0%)

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Note 3 Statutory contributions under the Mandatory Provident Fund (MPF) Scheme are deductible from a household's income when it applies for PRH. In other words, for households contributing 5% of their income under the MPF, the effective WL income limits applicable to them are about 5.26% higher than the prescribed limits and are shown in brackets in the table.



13. If the above proposed WL income limits are adopted, there will be on average an increase of 6.0% over the 2012/13 level overall, as compared with 5.5%, 3.3%, 1.2%, 15.6% and 7.7% <sup>Note 4</sup> in 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 <sup>Note 5</sup>. Detailed calculation of the proposed WL income limits for 2013/14 is set out at **Annex A**. Details of the proposed income limits of various household sizes are set out at **Annex B**.

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Note 4 The latest HES (i.e. the 2009/10 HES) results of the lower half expenditure group among tenant households in the private sector have been adopted starting the 2012/13 review. As compared with the previous HES (i.e. the 2004/05 HES) results, there was an overall increase of 20.4% in the non-housing costs as at the fourth quarter of 2011 as compared with the fourth quarter of 2010.

Note 5 Although the total household expenditure for 1-person and 2-person households for the 2013/14 review increased by 7.9% and 7.5% respectively over the 2012/13 review, the proposed income limits increased only by 1.6% and 2.5% respectively. This is because in the review for 2011/12, the SHC endorsed the addition of an extra 10% of household expenditure on top of the contingency provision of 5% of the household expenditure on a special and one-off basis for the WL income limits, taking into account the uncertainties arising from possible changes in the economic environment, including fluctuations in price levels and implementation of the SMW and to provide a buffer for the low-income households in applying for PRH. As a consequence, the WL income limits with the special and one-off extra contingency provision were on average 9.5% higher than what the income limits would have been if they have incorporated only a 5% contingency provision in accordance with the established methodology. Therefore, in the 2012/13 review, when comparing the assessed income limits for 2012/13 determined using the established methodology of a 5% contingency provision with the income limits adopted for 2011/12 (which included the special one-off provision of an additional 10% contingency provision as buffer), there should in fact be a decrease in the income limits for 1-person and 2-person households. But in the light of the then economic situation, and in order to continue to provide an additional buffer for 1-person and 2-person households, the SHC endorsed to give special consideration to freeze their income limits at the then existing levels. Although the proposed WL income limits for 1-person and 2-person households for 2013/14 will only increase by 1.6% and 2.5% when compared with the existing income limits for 2012/13, they would actually represent 7.9% and 7.5% increase to what would have been the 2012/13 levels if they were not frozen at the 2011/12 levels.

14. If the proposed income limits are adopted, it is estimated that the number of eligible households would increase and some 125 200 non-owner occupied households in the private sector (29.5% of the total number of non-owner occupied households in the private sector) would be eligible for PRH. However, it should be noted that this estimate may be of limited reference value <sup>Note 6</sup>. We would continue to monitor the number of applications on the WL.

## **REVIEW OF ASSET LIMITS**

### ***Review Mechanism***

15. Under the established mechanism, the WL asset limits are adjusted with reference to the movements in CPI(A) over the year and are rounded to the nearest thousand. In 2005, the SHC agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants. The SHC further decided in 2006 that the asset limits for 2005/06 should be adopted as the basis for future annual adjustments with reference to the movements in CPI(A).

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Note 6 This figure only gives a snapshot of the position as at the fourth quarter of 2012 and should be interpreted with caution. The number of non-owner occupied households in the private sector will change over time, so will the proportion of them eligible for PRH. Households meeting the income limits may not necessarily be able to meet other eligibility criteria and this figure has not taken into account the assets of households. Eligible households may choose not to apply for PRH and some eligible households may already be on the WL. Besides, apart from existing non-owner occupied households, members of existing households from PRH, owner-occupier households of HOS and owner-occupier households in the private sector may also form new households and apply for PRH.

***Key Parameter***

16. The movements of the key parameter (i.e. CPI(A)) over the year for the review of WL asset limits are set out as follows –

**Table 6**

<b>Parameter</b>	<b>Review for 2012/13</b>	<b>Review for 2013/14</b>
	<b><u>4Q 2011</u></b>	<b><u>4Q 2012</u></b>
Change in CPI(A) as compared with the same quarter of previous year	+5.3%	+4.2%

***Proposed WL Asset Limits for 2013/14***

17. Using the established review mechanism, we propose an adjustment to the existing WL asset limits following the 4.2% increase in overall CPI(A), as compared with 3.1%, 0.6%, 2.5%, 3.3% and 5.3% in 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 respectively. The proposed WL asset limits for 2013/14 are summarised below –

**Table 7**

	<b>Existing WL asset limits for 2012/13</b>	<b>Proposed WL asset limits for 2013/14 (% difference in asset limits)</b>
- 1-person	\$203,000	\$212,000
- 2-person	\$274,000	\$286,000
- 3-person	\$359,000	\$374,000
- 4-person	\$418,000	\$436,000

(Overall: +4.2%)

18. Details of the proposed WL asset limits of various household sizes are set out in **Annex B**.

## RECOMMENDATION

19. It is recommended that the proposed income and asset limits (as set out in paragraphs 12, 17 and **Annex B**) be adopted for 2013/14.

## IMPLICATIONS ON THE NUMBER OF WELL-OFF TENANTS

20. At present, under the Housing Subsidy Policy (HSP) and Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA), which are collectively known as “well-off tenants policy”, households who have resided in PRH for ten years or above with an income level exceeding prescribed limits <sup>Note 7</sup> need to pay additional rent. Those with income and assets exceeding prescribed limits <sup>Note 8</sup> need to move out of PRH. The income and asset limits under HSP and SRA are multiples of WL income limits and will be adjusted in line with the revised WL income limits every year.

21. If the proposed adjustment of WL income limits is endorsed with overall average increase of 6.0%, we do not rule out the possibility that the number of well-off tenants may decrease. However, we are unable to have meaningful assessment of the impact as our computer system does not have information on the present income of all PRH tenants. The new income limits under the HSP are listed at **Annex C** for Members’ reference.

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Note 7 Under the HSP, tenants who have resided in PRH for ten years or above are required to declare household income at a biennial cycle. Households with income exceeding two times the WL income limits have to pay 1.5 times net rent plus rates. Those with income exceeding three times the WL income limits, or who choose not to declare their income, have to pay double net rent plus rates.

Note 8 Under the SRA, households who pay double net rent plus rates under HSP would be required to declare their assets in the next reporting cycle. If their income exceeds 3 times the WL income limits and assets exceed 84 times the WL income limits, they are considered no longer eligible for PRH and they need to move out.

## **PUBLIC REACTION AND PUBLICITY**

22. It is expected that the review of WL income and asset limits will attract media and public attention. There may be concern about the slight increase in income limits for 1-person and 2-person households (1.6% and 2.5% respectively). Nonetheless, we consider that the overall average increase of 6.0% in the proposed WL income limits for 2013/14, which are assessed using the refined mechanism to take into account changes in income including the impact of SMW, should be generally acceptable to the public at large. A press release will be issued to announce the outcome of this review.

## **DISCUSSION**

23. At the SHC meeting to be held on 14 March 2013, Members will be invited to endorse the recommendation as set out in paragraph 19.

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(Strategy Division)  
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**Proposed WL Income Limits for 2013/14**

**A. Housing expenditure :**

- Derived by multiplying average reference flat size by the corresponding average unit rent
- The average reference flat sizes refer to the average space (in terms of IFA) of the flats allocated to the WL applicants from 2009/10 - 2011/12 <sup>(a)</sup>
- Average unit rents are derived from the data of C&SD's Rent Survey in the fourth quarter of 2012, covering those private flats with flat size of 69.9m<sup>2</sup> Saleable Area (SA) or below, with adjustment to unit rent per IFA

Household Size	Average Unit Rent (\$/m <sup>2</sup> IFA) <sup>(b)</sup>
1	232
2	217
<b>Overall Average</b>	<b>214</b>

**B. Non-housing expenditure :**

- Based on the expenditure patterns and levels of tenant households in private housing in the lower half expenditure group from the 2009/10 HES and adjusted by the change in CPI(A)(excluding housing cost) or the change in nominal wage index, whichever is higher

Household size	Average reference flat sizes <sup>(a)</sup> (m <sup>2</sup> , IFA)	Housing expenditure (\$)	Non-housing expenditure (\$)	Total household expenditure (\$)	Plus 5% contingency provision (\$)	<b>Proposed income limits</b> (\$)	Existing income limits (\$)	<b>Change</b> (\$) (%)	
1	15.7	3,642	4,813	8,455	8,878	<b>8,880</b>	8,740	<b>140</b>	<b>1.6</b>
2	22.4	4,861	8,235	13,096	13,751	<b>13,750</b>	13,410	<b>340</b>	<b>2.5</b>
3	30.4	6,506	10,932	17,438	18,310	<b>18,310</b>	17,060	<b>1,250</b>	<b>7.3</b>
4	37.1	7,939	13,142	21,081	22,135	<b>22,140</b>	20,710	<b>1,430</b>	<b>6.9</b>
5	39.9	8,539	15,612	24,151	25,359	<b>25,360</b>	23,640	<b>1,720</b>	<b>7.3</b>
6	44.9	9,609	17,441	27,050	28,403	<b>28,400</b>	26,590	<b>1,810</b>	<b>6.8</b>
7	50.5	10,807	19,313	30,120	31,626	<b>31,630</b>	29,560	<b>2,070</b>	<b>7.0</b>
8	52.1	11,149	21,050	32,199	33,809	<b>33,810</b>	31,620	<b>2,190</b>	<b>6.9</b>
9	62.5	13,375	22,672	36,047	37,849	<b>37,850</b>	35,360	<b>2,490</b>	<b>7.0</b>
10+	63.8	13,653	24,197	37,850	39,743	<b>39,740</b>	37,150	<b>2,590</b>	<b>7.0</b>
Average	-	-	-	-	-	-	-	-	<b>6.0</b>
Number of non-owner occupied households in private sector within the proposed WL income limits <sup>(c)</sup>									
1P						38 600	38 100	500	1.3%
2P+						86 600	81 400	5 200	6.4%
<b>Total</b>						<b>125 200</b>	<b>119 500</b>	<b>5 700</b>	<b>4.8%</b>
As a % of total number of non-owner occupied households in private sector in Hong Kong <sup>(d)</sup>						29.5%	28.1%		

- Notes :
- (a) Excluding HOS transferred flats and 3-bedroom flats allocated to 4-person households in calculating the average size of accommodation.
  - (b) Allocation of PRH is based on IFA. To calculate the housing cost needed for comparable private rental accommodation, we need to convert the average unit rent data (in terms of SA) from C&SD's Rent Survey into unit rent data in terms of IFA.
  - (c) 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 (GHS), those households with household income equal or below the income limits would be regarded as being eligible for PRH.
  - (d) According to the GHS of C&SD, the total number of non-owner occupied households (including those whose accommodation is provided by employers/relatives/friends) in private sector is estimated to be around 424 700 in the fourth quarter of 2012.

**Proposed WL Income and Asset limits for 2013/14**

<b>Household Size</b>	<b>Existing WL Income Limits for 2012/13*</b>	<b>Existing WL Asset Limits for 2012/13^</b>	<b>Proposed WL Income Limits for 2013/14*</b>	<b>Proposed WL Asset Limits for 2013/14^</b>
1-Person	\$8,740 (\$9,200)	\$203,000	\$8,880 (\$9,347)	\$212,000
2-Person	\$13,410 (\$14,116)	\$274,000	\$13,750 (\$14,474)	\$286,000
3-Person	\$17,060 (\$17,958)	\$359,000	\$18,310 (\$19,274)	\$374,000
4-Person	\$20,710 (\$21,800)	\$418,000	\$22,140 (\$23,305)	\$436,000
5-Person	\$23,640 (\$24,884)	\$465,000	\$25,360 (\$26,695)	\$485,000
6-Person	\$26,590 (\$27,989)	\$503,000	\$28,400 (\$29,895)	\$524,000
7-Person	\$29,560 (\$31,116)	\$537,000	\$31,630 (\$33,295)	\$560,000
8-Person	\$31,620 (\$33,284)	\$563,000	\$33,810 (\$35,589)	\$587,000
9-Person	\$35,360 (\$37,221)	\$622,000	\$37,850 (\$39,842)	\$648,000
10-Person and above	\$37,150 (\$39,105)	\$670,000	\$39,740 (\$41,832)	\$698,000

\* Figures in brackets denote the effective income limits should a household be contributing 5% of its income under the MPF Scheme as required by the law.

^ Asset limits for elderly households (including both nuclear and non-nuclear households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.

**Income limits under HSP for 2013/14  
if the proposed WL income limits are endorsed**

	<b>Households with income exceeding the following limits are required to pay 1.5 times net rent/licence <u>fee plus rates</u></b>		<b>Households with income exceeding the following limits are required to pay double net rent/licence <u>fee plus rates</u></b>	
	<b>Existing</b>	<b>From 1 April 2013</b>	<b>Existing</b>	<b>From 1 April 2013</b>
1-person	\$17,480	\$17,760	\$26,220	\$26,640
2-person	\$26,820	\$27,500	\$40,230	\$41,250
3-person	\$34,120	\$36,620	\$51,180	\$54,930
4-person	\$41,420	\$44,280	\$62,130	\$66,420
5-person	\$47,280	\$50,720	\$70,920	\$76,080
6-person	\$53,180	\$56,800	\$79,770	\$85,200
7-person	\$59,120	\$63,260	\$88,680	\$94,890
8-person	\$63,240	\$67,620	\$94,860	\$101,430
9-person	\$70,720	\$75,700	\$106,080	\$113,550
10-person	\$74,300	\$79,480	\$111,450	\$119,220