

Panel on Housing Meeting on 5 May 2014

Domestic Rental Adjustment by Hong Kong Housing Society

Background

Hong Kong Housing Society (HKHS) was established in 1948 and incorporated in 1951 by the Hong Kong Housing Society Incorporation Ordinance. It is an independent, not-for-profit organization governed by Members, aiming to serve the needs of the Hong Kong community in housing and related services. HKHS operates under a two-tier board governance structure comprising a Supervisory Board and an Executive Committee. The current corporate governance model separates the roles of the oversight and management of operations. The Supervisory Board determines the long-term mission and guiding principles of HKHS, the Executive Committee sets the strategies and policies to achieve the mission and objectives; and the Management is accountable for the implementation of the strategies in the business operations.

As indicated in the list of estates in Appendix 1, there are a total of 32,485 units in 20 estates, housing nearly 88,000 residents. Rental units fall into two groups, A and B. Group A caters to low-income families whereas Group B targets families of relatively higher income. Apart from the regular rental units, HKHS also provides some 900 Elderly Persons Flats in nine of its estates for the senior citizens at concessionary rents.

Domestic rents will be reviewed every two years. The rent adjustment is mainly dependent upon the operating costs to account for the following objective factors:

- the rental income must be sufficient to cover the recurrent management expenditures, tenancy administration costs, Rates(if this is inclusive in rent) and Government Rents;
- provision for major improvements, repair & maintenance; and
- contribution to development sinking fund to cater for redevelopment of estates in future

At the same time, the market condition such as inflation rate, salary index and affordability of the tenants will also be taken into consideration. In retrospect, HKHS has frozen the rental level for 12 years from 1998 to 2010.

Rental Adjustment

Over the past two years, the operating & repair costs have been on the rise. There has been a cumulative increase of 8% in the consumer price index and the salary index has gone up due to the minimum wage policy. Moreover, the ageing rental estates have entailed increasing costs for maintenance and repairs. To improve quality of living environment for the residents, substantial resources are also required for extensive rehabilitation and improvement works. As eight of the estates are over 40

years old, it is necessary to plan and prepare for redevelopment in the long run.

In the coming five years, HKHS has earmarked a funding of \$900M for the major improvement works in the estates. With a view to alleviate tenants' financial burden, the HKHS Executive Committee only took reference to the inflation in the past two years and approved an increase of rent by 8% commencing 1 April 2014 despite its heavy financial commitment. The new rent will hold for two years until the next rent review by the end of 2015. As a matter of fact, even with the rent increment, the books cannot be balanced and deficit is anticipated as from 2014 onwards. Therefore, HKHS has no room to lower the rent increase nor waive any rent payment.

Currently, the existing rental level of the estates is only about 30% of market rates and that of the Group B estates is around 55%. The average rent of the rental units is around \$1,800 per month. Upon the recent adjustment, about 75% of the tenants pay less than \$150 extra for the monthly rent and 70% of the tenants are paying a monthly rent below \$2,000.

Provision of Assistance

According to our record, 10% of the tenants are Comprehensive Social Security Assistance Scheme (CSSA) recipients. As for the elderly households, about 24% of them are CSSA recipients. In principle, the rental allowance payable under CSSA already caters for the need of rental payment for this category of tenants. When a tenant has genuine financial difficulties in paying rent, HKHS will refer the case to Social Welfare Department for appropriate assistance. The tenant can also apply to transfer to other estates with cheaper rent and for senior tenants, there is one more alternative for transfer to Elderly Persons Flats at concessionary rent. Moreover, our registered social worker in estates will follow up on the condition of the individual needy families to introduce available assistance, where necessary.

Apart from meeting the housing needs of the tenants in the estates, HKHS is also committed to serve the people of Hong Kong. There must be an independent operating accounts for all the rental estates. Whenever there is operating surplus generated from other businesses like sale of flats and investment, the proceeds will be contributed to the society, for example, by undertaking various schemes for better building maintenance and city revitalization.

HKHS is a self-financing independent organization without any direct subsidy from the government. It is important to manage the financial resources prudently to ensure the sustainable development of the organization to serve the community of Hong Kong.

Encl: Appendix 1 – HKHS Rental Estates Portfolio

Prepared by HKHS
24 April 2014

香港房屋協會出租屋邨名單

HKHS Rental Estates Portfolio

出租屋邨名稱 Name of Rental Estates	地區 Location	單位數目 Number of Flats
1. 明華大廈 Ming Wah Dai Ha	筲箕灣 Shau Kei Wan	2,516
2. 健康村 Healthy Village	北角 North Point	1,189
3. 勵德邨 Lai Tak Tsuen	大坑 Tai Hang	2,675
4. 觀龍樓 Kwun Lung Lau	堅尼地城 Kennedy Town	2,337
5. 漁光村 Yue Kwong Chuen	香港仔 Aberdeen	1,144
6. 駿發花園 Prosperous Garden	油麻地 Yau Ma Tei	667
7. 家維邨 Ka Wai Chuen	紅磡 Hung Hom	1,676
8. 樂民新村 Lok Man Sun Chuen	土瓜灣 To Kwa Wan	3,676
9. 真善美村 Chun Seen Mei Chuen	馬頭圍 Ma Tau Wai	1,027
10. 觀塘花園大廈 Kwun Tong Garden Estate	牛頭角 Ngau Tau Kok	4,923
11. 滿樂大廈 Moon Lok Dai Ha	荃灣 Tsuen Wan	947
12. 祈德尊新邨 Clague Garden Estate	荃灣 Tsuen Wan	553
13. 寶石大廈 Bo Shek Mansion	荃灣 Tsuen Wan	268
14. 祖堯邨 Cho Yiu Chuen	葵涌 Kwai Chung	2,532
15. 偉景花園 Broadview Garden	青衣 Tsing Yi	448
16. 乙明邨 Jat Min Chuen	沙田 Sha Tin	3,738
17. 茵怡花園 Verbena Heights	將軍澳 Tseung Kwan O	971
18. 對面海邨 Tui Min Hoi Chuen	西貢 Sai Kung	302
19. 翠塘花園 Lakeside Garden	西貢 Sai Kung	234
20. 沙頭角邨 Sha Tau Kok Chuen	沙頭角 Sha Tau Kok	662
總數 Total		32,485