

**立法會**  
**Legislative Council**

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**Panel on Housing**

**Meeting on 7 July 2014**

**Updated background brief on "Rent adjustment mechanism  
for public rental housing"  
prepared by the Legislative Council Secretariat**

**Purpose**

This paper provides updated background information on the public rental housing ("PRH") rent adjustment mechanism of the Hong Kong Housing Authority ("HA"), and gives a brief account of the views and concerns expressed by members on the subject.

**Background**

2. The existing mechanism to provide for upward or downward adjustment of PRH rent according to the changes in the household income of PRH tenants is stipulated in the Housing Ordinance (Cap. 283). The Bill introducing the mechanism was passed by the Legislative Council in June 2007 and came into operation on 1 January 2008.

New rent adjustment mechanism

3. Under the new rent adjustment mechanism, a review of PRH rent will be conducted once every two years. The PRH rent will be either adjusted upward or downward according to changes in the income index, which reflect changes in PRH tenants' household income in the first and second periods of the review. Under section 16A(7)(b) of the Housing Ordinance, the income index will be computed by the Commissioner for Census and Statistics ("C for C&S"). Section 16A(4) of the Housing Ordinance provides that if the income index for the second period is higher than that of the first period by more than 0.1%, 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 of the first period by more than 0.1%, HA shall reduce the PRH rent by the rate of reduction of the income index.

4. To compile the income index, a sample of 2 000 PRH households is randomly selected by HA every month and each sampled household receives a notification letter together with an income declaration form. The income declaration forms are served under the Housing Ordinance and declaration is mandatory. Compilation of the income index includes the computation of the change in the income index between the first and second periods. The methodology for data collection and computation under the new rent adjustment mechanism is set out in Annex A to LC Paper No. CB(1) 2038/11-12(03), which is hyperlinked in the **Appendix**.

#### First rent review

5. The first rent review exercise under the established rent adjustment mechanism was conducted in 2010. At that time, the Subsidised Housing Committee ("SHC") of HA considered the C for C&S's report and endorsed the outcome of the first rent review exercise under the rent adjustment mechanism as stipulated in the Housing Ordinance, i.e. by comparing the indices of the first (2007) and second (2009) periods of the rent review. The level of adjustment in PRH rent was +4.68%.

6. The rent adjustment took effect on 1 September 2010. SHC also decided to introduce a one-month rent waiver for the month of September 2010 as a special and one-off measure given that PRH tenants might not be able to benefit from the economic recovery.

#### Second rent review

7. In accordance with section 16A(8) of the Housing Ordinance, for the second rent review, the first period was the period of 12 months expiring on 31 December 2009, and the second period was the period of 12 months expiring on 31 December 2011. A total of 24 000 PRH households were sampled in each of the first and second periods, hence the second rent review involved income data collected from a total of 48 000 PRH households. The mean monthly household income for 2011 computed with reference to the distribution of households by size in 2009 was referred to as the "Adjusted mean monthly household income for 2011" and was given below –

<b>Household Size</b>	<b>Mean monthly household income (\$)</b>	<b>Distribution of household size (%) (weights of the first period)</b>
1-person	\$4,687	11.061%
2-person	\$10,022	21.067%
3-person	\$15,942	27.347%
4-person	\$20,246	26.925%
5-person or above	\$24,583	13.600%
		100%

8. The mean monthly household income of PRH tenants in the first period (i.e. 2009) was \$13,579 and this index was set at 100. The adjusted mean monthly household income of PRH tenants in the second period (i.e. 2011) was \$15,784. The index of the second period was therefore 116.24. According to the Census and Statistics Department's report, the income index for the second period was higher than that for the first period by 16.24%. Therefore, the level of rent adjustment in accordance with the second PRH rent review was +10% or an increase of \$139 on average. The actual rent increases ranged from \$25 to \$352 per month.

9. The rent adjustment took effect on 1 September 2012. SHC granted a one-month rent waiver for the month of September 2012 in addition to the two-month rent relief provided under the Budget for July and August 2012.

### **Deliberations by the Panel on Housing**

10. The new rent adjustment mechanism for PRH, and the first and second rent review outcome were discussed by the Panel on Housing ("the Panel") at its meetings on 7 January, 1 March and 20 July 2010, and 4 June 2012. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

11. The Panel noted that the level of rent adjustment in accordance with the second rent review was +10%. Some members expressed grave concern that

many of the so-called adjustment mechanisms which allowed for upward or downward adjustment would eventually result in upward adjustment. These members urged for the reinstatement of the obsolete rent review system adopted in 1997 under which any determination of variation of rent by HA should only take effect at least three years after the preceding rent determination came into effect, and the rent so determined should be subject to a cap of 10% of the median rent-to-income ratio.

12. The Panel also noted that the adjustment mechanisms which provided for upward and downward adjustments of bus fares, train fares and PRH rents had not been well received by the general public. Despite increase in household income, the affordability of the general public had not been correspondingly increased as a result of the rise in transport fares, rents and inflation. Panel members therefore considered it necessary for the Administration to adopt a holistic approach in reviewing these adjustment mechanisms.

13. Some members opined that the rent adjustment mechanism was inadequate and undesirable as it only took account of increase in household income (which was mainly attributable to the implementation of the Statutory Minimum Wage) but not inflation or rise in household expenditure. HA would not have to offer a one-month rent waiver (on top of the payment of two months' rent as announced in the 2012-2013 Budget) if the rent increases under the second review were justified. There was a need for HA to work out a new mechanism based on tenants' affordability.

14. Some other members however considered it necessary to respect the outcome of the rent review which was based on an established rent adjustment mechanism. Nevertheless, these members agreed that assistance or relief measures should be put in place to help ease the pressure of the economic downturn on the community, and thus welcomed the proposed provision of a rent waiver of one month to all PRH tenants.

15. At the meeting on 4 June 2012, the Panel negatived the motion that "As the Hong Kong Housing Authority only relied on PRH tenants' income as the basis for adjusting the rent without taking into account their expenditure and inflationary pressure, the Panel would request that the rents should be frozen while the section 16A of the Housing Ordinance (Cap. 283) should be repealed with the reinstatement of the original bill introduced in 1997."

### **Latest development**

16. The Administration will brief members on the result of the third rent review for PRH at the Panel meeting on 7 July 2014.

**Relevant papers**

17. A list of relevant papers is in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
4 July 2014

## Appendix

### List of relevant papers

Council/ Committee	Date of meeting	Paper
Bills Committee	---	<p>Report of the Bills Committee on Housing (Amendment) Bill 2007 to the Council meeting on 13 June 2007 (LC Paper No. CB(1) 1871/06-07)  <a href="http://www.legco.gov.hk/yr06-07/english/bc/bc01/reports/bc01cb1-1871-e.pdf">http://www.legco.gov.hk/yr06-07/english/bc/bc01/reports/bc01cb1-1871-e.pdf</a></p>
Panel on Housing	7 January 2010	<p>Administration's paper on "New Rent Adjustment Mechanism for Public Rental Housing" (LC Paper No. CB(1) 796/09-10(03))  <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0107cb1-796-3-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0107cb1-796-3-e.pdf</a></p> <p>Minutes of meeting (LC Paper No. CB(1) 1208/09-10)  <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100107.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100107.pdf</a></p>
Panel on Housing	1 March 2010	<p>Administration's paper on "New Rent Adjustment Mechanism for Public Rental Housing" (LC Paper No. CB(1) 1059/09-10(01))  <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0301cb1-1059-1-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0301cb1-1059-1-e.pdf</a></p> <p>Updated background brief on the new rent adjustment mechanism prepared by the Legislative Council Secretariat (LC Paper No. CB(1) 1210/09-10(05))  <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0301cb1-1210-5-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0301cb1-1210-5-e.pdf</a></p> <p>Minutes of meeting (LC Paper No. CB(1) 1744/09-10)  <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100301.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100301.pdf</a></p>

Council/ Committee	Date of meeting	Paper
Panel on Housing	20 July 2010	<p>Administration's paper on "New Rent Adjustment Mechanism for Public Rental Housing" (LC Paper No. CB(1) 2600/09-10(01)) <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0720cb1-2600-1-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0720cb1-2600-1-e.pdf</a></p> <p>Updated background brief on the new rent adjustment mechanism prepared by the Legislative Council Secretariat (LC Paper No. CB(1) 2589/09-10(01)) <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0720cb1-2589-1-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0720cb1-2589-1-e.pdf</a></p> <p>Minutes of special meeting (LC Paper No. CB(1) 2873/09-10) <a href="http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100720.pdf">http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100720.pdf</a></p>
Panel on Housing	4 June 2012	<p>Administration's paper on "Second Rent Review for Public Rental Housing" (LC Paper No. CB(1) 2038/11-12(03)) <a href="http://www.legco.gov.hk/yr11-12/english/panels/hg/papers/hg0604cb1-2038-3-e.pdf">http://www.legco.gov.hk/yr11-12/english/panels/hg/papers/hg0604cb1-2038-3-e.pdf</a></p> <p>Updated background brief on the new rent adjustment mechanism for public rental housing prepared by the Legislative Council Secretariat (LC Paper No. CB(1) 2038/11-12(04)) <a href="http://www.legco.gov.hk/yr11-12/english/panels/hg/papers/hg0604cb1-2038-4-e.pdf">http://www.legco.gov.hk/yr11-12/english/panels/hg/papers/hg0604cb1-2038-4-e.pdf</a></p> <p>Minutes of meeting (LC Paper No. CB(1) 2557/11-12) <a href="http://www.legco.gov.hk/yr11-12/english/panels/hg/minutes/hg20120604.pdf">http://www.legco.gov.hk/yr11-12/english/panels/hg/minutes/hg20120604.pdf</a></p>