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Panel on Housing

Meeting on 9 January 2017

**Background brief on Hong Kong Housing Authority's measures to
maximise the rational use of public rental housing resources
prepared by the Legislative Council Secretariat**

Purpose

This paper provides background information on Hong Kong Housing Authority ("HA")'s measures to maximise the rational use of public rental housing resources and a summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

2. HA maintains an application system to provide eligible applicants with priorities of demands for public rental housing ("PRH"). According to the prevailing allocation policy of PRH, generally public housing resources are allocated strictly in accordance with the relative priority of the registered applications to uphold the principle of rational allocation. The HA's target is to maintain the Average Waiting Time¹ ("AWT") at around three years for general applicants. The AWT target of around three years is not applicable to non-elderly one-person applicants under the Quota and Points System² ("QPS").

¹ Waiting time refers to the time taken between registration for PRH and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement, the applicant has requested to put his or her application on hold pending arrival of family members for family reunion, the applicant is imprisoned, etc).

² The QPS was introduced in September 2005 to rationalize and to re-prioritize the allocation of PRH to non-elderly one-person applicants.

3. As at end-September 2016, the number of general applications (i.e. family and elderly one-person applications) for PRH was about 152 500. The AWT for general applicants was 4.5 years. Among them, the AWT for elderly one-person applicants was 2.4 years. Meanwhile, the number of non-elderly one-person applications under the QPS had reached about 134 000.

HA's recent measures for better utilizing PRH resources

4. In view of the increasing number of PRH applications and the lengthening of the AWT, as well as the difficulties in increasing PRH supply, the Administration identified the need for the HA's Subsidised Housing Committee ("SHC") to further examine how best to focus efforts in allocating limited PRH resources to applicants with more pressing need. On this, the Housing Department ("HD") conducts a special analysis on the housing situation of general applicants every year and reports on the overall waiting situation of applicants.

5. On 31 October 2016, with a view to better utilizing PRH resources and ensuring that the HA could focus its efforts towards allocating PRH resources to those with more pressing need, SHC endorsed to implement the following measures starting from 2017-2018 –

- (a) Merging the Territory-wide Over-crowding Relief Exercise and the Living Space Improvement Transfer Scheme so that more flats can be released for allocation to PRH applicants. In addition, transfer schemes will be arranged in the latter half of each year in order to expedite flat allocation to PRH applicants; and
- (b) Reducing the two rounds of flat selection each year under the Express Flat Allocation Scheme to one round, so that reserved flats can be released earlier for the HD's allocation under the normal procedures.

6. SHC also endorsed a number of amendments to the "Well-off Tenants Policies". Details of the above measures can be found in the Administration's paper for the Panel (LC Paper No. CB(1)371/16-17(01)).

Deliberations of the Panel on Housing and its Subcommittee

7. The Panel, as well as its Subcommittee on Long Term Housing Strategy³ ("the Subcommittee") formed to study the Long Term Housing Strategy promulgated in 2014, have, from time to time, expressed concerns about the lengthening AWT for PRH, as well as the prioritization of applicants under various allocation schemes. The major views and concerns expressed by members of the Panel and the Subcommittee regarding the utilization of PRH resources are summarized in the ensuing paragraphs.

Average Waiting Time

8. In light of the development that the latest AWT for general applicants (i.e. family and elderly one-person applicants) of PRH had risen considerably higher than the target of three years, some members considered it important for the Administration to introduce measures to restore the AWT to three years, and to inform PRH applicants their approximate waiting time at the time of application.

9. The Administration pointed out that due to an increasing number of PRH applicants and the time required for identifying land for public housing production, HA found it increasingly difficult to meet the target of providing first flat offers to general applicants at around three years on average. HA would consider reviewing the presentation of information related to the waiting time to help applicants better understand the relevant situation.

10. Some members of the Subcommittee commented that the actual length of time an applicant spent on waiting for PRH (i.e. from filing a PRH application to flat intake) was often longer than the AWT of three years. They cited the following examples of unfair arrangements in PRH allocation –

- (a) the AWT is defined as the period between registration on the Waiting List ("WL") and the first flat offer. The period between filing a PRH application and registration on the WL, which normally takes about three months, is not counted as part of the waiting time of an applicant;
- (b) some PRH applicants have been required to provide supplementary information and documents piecemeal from time to time, thus unnecessarily prolonging the processing time of their applications;

³ The Subcommittee was formed on 3 December 2012 and finished its work on 7 July 2014.

- (c) whilst eligible PRH applicants are given three housing offers, there are often long intervals between offers. In some cases, applicants are allocated less popular PRH units as their first housing offers. Upon refusal of such offers, applicants often have to wait for a long time for subsequent housing offers; and
- (d) PRH applicants are required to undergo detailed eligibility vetting (e.g. the income and asset tests) whenever they get a housing offer, even if it is just about a year from the last checking. Such repeated checking at different times causes nuisance to applicants and inevitably lengthen their waiting time for flat in-take.

11. On the above observations, the Administration explained that as all PRH applicants were given notices on the documents that were required to be submitted together with their applications, they should be aware that their applications could not be processed if any of the required supporting documents were missing. PRH units, including the unpopular ones, were allocated randomly and HA was obliged to inform prospective tenants of the history of the units to be allocated to them. Whilst HA tried to give three housing offers to individual PRH applicants as quickly as possible, PRH allocation largely depended on the prevailing availability and distribution of housing resources. Since the income and assets of PRH applicants might be changing constantly, it was considered reasonable that the validity of the income and assets declarations made by individual applicants should not be more than six months so as to ensure that the limited PRH resources were allocated to those with genuine need.

Well-off Tenants Policies

12. Some Subcommittee members criticized that the Well-off Tenants Policies caused nuisance to PRH households which were required to declare their income biennially if they lived in PRH for 10 years. Noting that only a small proportion of the total PRH households were well-off tenants and only a small number of PRH units could be recovered from such tenants for re-allocation, the members considered the Well-off Tenants Policies not effective for speeding up the turnover of PRH units to address the housing needs of applicants on the WL. Besides, young people who have moved out of their parents' PRH units to avoid paying higher rents would register on the WL for PRH allocation, leading to an upsurge in the number of non-elderly one-person PRH applicants. The members therefore opined that the Administration should study the possible impacts of the policies on community development and family relations.

13. Some Subcommittee members also held the view that the Administration should not target a handful of well-off tenants. Instead, it should analyze the housing needs of such tenants and formulate measures that would facilitate their upward mobility along the housing ladder, such as encouraging them to purchase HOS flats or private residential flats, so that more PRH units would be released for reallocation. There was also the suggestion that the Administration should consider re-launching the Tenants Purchase Scheme to enable sitting PRH tenants to buy their units.

14. On the other hand, some Subcommittee members supported that the Well-off Tenants Policies should be maintained for the sake of fairness in the allocation of PRH resources to the needy. Noting that there are some well-off tenants who can well afford private housing, these members opined that the income and asset limits under the Well-off Tenants Policies should be further tightened to safeguard rational allocation of public housing resources and curb tenancy abuse.

Overcrowding relief arrangements

15. Subcommittee members noted that HD arranged allocation of flats of an appropriate size to PRH applicants according to their family sizes and the prescribed allocation standards. Households were defined as overcrowded families if the internal floor area ("IFA") in the flats was less than 5.5 m² per person subsequent to addition of family members due to marriage, new born or family members settling in Hong Kong. Some members commented that the congested living environment of PRH tenants was due to the fundamental problem of inadequate housing supply, and requested the Administration to consider relaxing the long-established standard of 5.5 m² IFA per person in order to relieve more overcrowded PRH households.

Income and asset limits of PRH applicants

16. On processing PRH applications, some Panel members were of the view that screening the applicants by their income and assets could not reflect the quality of life of the ineligible applicants because they were paying a big portion of their income on rentals. As such, the Administration should instead examine the proportion of household income that applicants would have paid for private rentals and the effect on their living standard in determining their eligibility for PRHs.

17. In this regard, the Administration explained that the eligibility of applicants could be assessed more objectively under the existing review mechanism of PRH income and asset limits than using the criteria suggested.

18. Some Panel members commented that the inclusion of the Consumer Price Index ("CPI(A)") (net of housing cost) in the assessment of income limits could not reflect the cost of living. Members considered that the Administration's sale of the shopping malls in PRH estates to Link REIT, which replaced the small shops in these facilities by chain stores and up-market brands, had forced the public to buy their daily necessities at a cost above the CPI(A).

19. The Administration explained that the Administration would make reference to the latest movement in the CPI(A) (excluding housing cost) or the change in the nominal wage index, whichever was higher, as the income factor in adjusting the non-housing cost component in the review of PRH income and asset limits.

Declaration of insurance policies in PRH applications

20. The Panel discussed with the Administration on 6 June 2016 about the cases concerning the cancellation of PRH applications by HA for reason of applicants' failure to declare their insurance schemes in the application forms. Some members commented that as the mandatory contributions by the applicants and their employers under the Mandatory Provident Fund ("MPF") were not required to be reported as asset, insurance schemes which were very similar to MPF contributions in the sense that the "value" of their returns was not realizable for years to come before their maturity should also be excluded from reporting in PRH applications. Noting that PRH applicants were mostly low-income earners and their contributions to insurance schemes were meagre, members urged the Administration to review the requirements of asset reporting from the perspective of encouraging citizens to save for retirement.

21. The Administration clarified that only the accrued benefits from the mandatory contributions under MPF were exempted from being counted as an asset; and those from any voluntary contributions of MPF would be counted as asset. Nevertheless, the Administration would study members' suggestion.

Non-elderly one-person PRH applicants under the QPS

22. In order to maximize the rational use of PRH resources in light of the recommendations by the Long Term Housing Strategy Steering Committee ("Steering Committee") and the Director of Audit, HA implemented a number of refinements to the QPS on 1 February 2015. One such refinement was that QPS applicants reaching the age of 45 would be awarded a one-off bonus of 60 points to offer them a higher priority over younger QPS applicants. Some Panel members considered that this measure would severely lengthen the waiting time of the younger non-elderly one-person PRH applicants and that the Administration should consider reviewing QPS to address the issue.

23. The Administration advised that having regard to the recommendations of the Steering Committee, the SHC had decided to give priority to QPS applicants who reached the age of 45 in view of their relatively limited upward mobility in the society. Given the increasing pressure on PRH supply, instead of extending the AWT target of around three years to QPS applicants above the age of 35 at this stage, the Administration considered that a pragmatic first step would be to increase the chance of those QPS applicants who were above the age of 45. Towards this end, SHC had decided to award a one-off bonus of 60 points to QPS applicants when they reached the age of 45 to allow them a higher priority over other younger QPS applicants.

Latest position

24. The Administration will brief members on the subject at the Panel meeting on 9 January 2017.

Relevant papers

25. A list of relevant papers is in **Appendix**.

Council Business Division 1
Legislative Council Secretariat
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List of relevant papers

Council/ Committee	Date of meeting	Papers
Panel on Housing	7 July 2014	Report of the Subcommittee on the Long Term Housing Strategy (LC Paper No. CB(1)1705/13-14)

Council question

Date	Council question
18 December 2013	Rational allocation of public rental housing resources http://www.info.gov.hk/gia/general/201312/18/P201312180290.htm
16 March 2016	Declarations and surveys relating to household income of public rental housing tenants http://www.info.gov.hk/gia/general/201603/16/P201603160331.htm

Government press release

Date of issuance	Papers
31 October 2016	Priorities of demand for public rental housing http://www.info.gov.hk/gia/general/201610/31/P2016103100817p.htm

Government publication

Date of issuance	Papers
20 December 2016	Long Term Housing Strategy Annual Progress Report 2016 (LC Paper No. CB(1)350/16-17(01))