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Panel on Housing

Meeting on 3 July 2017

**Background brief on rent adjustment mechanism for rental units
of the Hong Kong Housing Society
prepared by the Legislative Council Secretariat**

Purpose

This paper provides background information on the rent adjustment mechanism for rental units of the Hong Kong Housing Society ("HKHS") and related issues, and provides a summary of the major views and concerns expressed by Members on the subject.

Background

2. HKHS was established in 1948 and incorporated as a body corporate in 1951 under the Hong Kong Housing Society Incorporation Ordinance. It is an independent and not-for-profit organization aiming to serve the needs of the Hong Kong community in housing and related services. HKHS finances its housing projects and services with its own resources.¹

¹ Since its inception, HKHS has built housing units under different schemes, including Rental Estate, Rural Public Housing, Flat-for-Sale, Sandwich Class Housing, Subsidised Sale Flats projects, Urban Improvement, Full Market Value Developments, Urban Renewal Projects and Senior Citizen Residences Scheme.

Rental Estates

3. There are a total of over 32 000 units in 20 rental estates under HKHS.² The rental units fall into two groups, A and B. Group A caters for the lower-income families while 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.

Rent Adjustment mechanism

4. Domestic rents of HKHS' rental units are reviewed every two years. The main consideration for rent adjustment is the operating costs of the estates and includes the following specific factors: rental income must be sufficient to cover the recurrent management expenses, tenancy administration cost, rates (if included in rent) and Government rent; and provision to be set aside for major improvement works, repair and maintenance.

Providing assistance to needy tenants

5. According to HKHS, if individual tenants have long-term financial difficulty in paying rent, they can apply for transfer to other estates under HKHS with lower rent. As for senior tenants, they may also consider transferring to the Elderly Persons' Flats. To help tenants in need to seek appropriate assistance, HKHS has arranged for registered social workers (i.e. service coordinators) to station in the rental estates to follow up individual cases. Apart from providing counseling and making referrals for cases of family conflicts, health or mental problems, service coordinators also attended to cases of financial difficulties.

Major views and concerns expressed by Members

6. Members have expressed views on issues relating to HKHS's rent adjustment mechanism at meetings of the Legislative Council and its committees such as the Panel on Housing ("the Panel"). The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

² HKHS's website

Rent adjustment

7. Members were of the view that the mechanism for determining HKHS's rent adjustment for its estates lacked transparency. They questioned about the formula for determining the rent adjustment and the weighting accorded to tenants' ability to afford in considering the adjustment. Noting that provision for major improvement works was a factor for rent adjustment for HKHS's rental estates, some Members queried whether it was unfair for HKHS to require tenants to shoulder the burden of such works. Some Members suggested that HKHS should use the revenue generated from its property sales and investments to offset the need for rent increase.

8. HKHS advised that as HKHS was not vested with the power to require tenants of its rental estates to declare income and assets, apart from the main factors such as operating costs, it would also make reference to inflation rate, salary index and tenants' ability to afford as a whole in determining rent adjustment. This would enable a more rational rent adjustment to be made and avoid the drawbacks of a fixed formula which would be overly simplistic. To improve tenants' living quality, HKHS had to earmark substantial funding for improvement works on rental estates. While it was never the intention of HKHS to make tenants shoulder its financial burden, a reasonable rent increase was genuinely needed to meet the operating costs of the rental estates.

Assistance rendered to tenants with financial difficulties

9. Members were generally concerned about the financial burden brought by the HKHS's rent adjustment on low-income families and elderly tenants who were not recipients of the Comprehensive Social Security Assistance Scheme. Some Members opined that the HKHS's referral services brought no immediate and effective assistance to tenants with financial difficulties, and suggested that HKHS should introduce rent assistance comparable to that provided by the Hong Kong Housing Authority to relieve the rental burden of needy tenants.

10. HKHS explained that being a not-for-profit organization operating in a financially-independent mode, HKHS was mindful about the cost implications of any new measures on its rental estates. In considering any rent assistance measure, HKHS would need to take into account its financial viability, and to ensure that there was no duplication with other assistance schemes publicly available, such as those operated by the Government and different organizations from which tenants with financial difficulties could seek assistance. HKHS advised that its service coordinators had been providing useful assistance to needy tenants, and had made referrals and helped tenants with difficulties to obtain assistance in cash or in kind from the Government or other organizations.

Latest development

11. The Panel will discuss with HKHS the rent adjustment mechanism for rental units and rent relief measures of HKHS at the Panel meeting on 3 July 2017.

Relevant papers

12. A list of the relevant papers is set out in **Appendix I**.

Council Business Division 1
Legislative Council Secretariat
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**Rent adjustment mechanism for rental units of
the Hong Kong Housing Society**

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	5 May 2014	Hong Kong Housing Society's paper on "Domestic Rental Adjustment by Hong Kong Housing Society" (LC Paper No. CB(1)1324/13-14(04)) Minutes of meeting (LC Paper No. CB(1)2018/13-14))
Panel on Housing	4 May 2015	Hong Kong Housing Society's paper on "Rent Adjustment of Rental Estates by Hong Kong Housing Society" (LC Paper No. CB(1)787/14-15(05)) Minutes of meeting (LC Paper No. CB(1)1024/14-15)) Administration's supplementary paper (LC Paper No. CB(1)876/14-15(01))
Panel on Housing	4 January 2016	Hong Kong Housing Society's paper on rent adjustment of rental estates, senior citizen residences scheme and subsidized sale flats project (LC Paper No. CB(1)361/15-16(06)) Minutes of meeting (LC Paper No. CB(1)601/15-16))
Council	24 May 2017	Written question on "Subsidized housing provided by the Hong Kong Housing Society" raised by Hon Alice MAK