

香港特別行政區政府
The Government of the Hong Kong Special Administrative Region

運輸及房屋局

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23 March 2018

Mr Derek Lo
Clerk to Legislative Council Panel on Housing
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road, Central
Hong Kong

Dear Mr Lo,

Income and Asset Limits for Public Rental Housing (PRH) for 2018/19

At the meeting of the Legislative Council Panel on Housing on 5 March 2018, Members discussed the findings of the review of PRH income and asset limits for 2018/19. Views of Members¹, the motions passed by the Panel² and the Housing Department's response have been relayed to the Hong Kong Housing Authority's Subsidised Housing Committee (SHC). The relevant SHC paper is provided at **Appendix 1** for Members' reference.

SHC noted Members' views, the motions as well as the Department's response, and endorsed the PRH income and asset limits for 2018/19 at the meeting on 19 March 2018. The limits (set out at **Appendix 2**) will be effective from 1 April 2018.

Yours sincerely,

(Original Signed)

(Jerry Cheung)

for Secretary for Transport and Housing

¹ Including the follow-up actions requested by Members in relation to the discussion item.

² LC Paper Nos. CB(1)676/17-18(01) and (02).

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

Review of Income and Asset Limits for Public Rental Housing for 2018/19 -

**Views and Suggestions Expressed by Members
of the Legislative Council Panel on Housing
at the Meeting on 5 March 2018**

PURPOSE

Further to the Hong Kong Housing Authority (HA)'s Subsidised Housing Committee (SHC) Paper No. SHC 17/2018 on the Review of Income and Asset Limits for Public Rental Housing (PRH) for 2018/19, this paper sets out the views expressed by Members of the Legislative Council (LegCo) Panel on Housing on the review and the Department's response.

BACKGROUND

2. SHC considers the PRH income and asset limits in March every year. At the request of the LegCo Panel on Housing, we brief Panel Members on the review findings, and then relay their views and suggestions for SHC's consideration.

**VIEWS/SUGGESTIONS OF THE LEGCO PANEL ON HOUSING AND
THE DEPARTMENT'S RESPONSE**

3. The LegCo Panel on Housing discussed the findings of the review for 2018-19 at its meeting on 5 March 2018. LegCo Members generally agreed with the findings. Some Members were of the view that HA should review the established mechanism of adjusting the PRH income limits, and take into account the impact of statutory minimum wage (SMW) in the process. Other Members were concerned that raising the PRH income and asset limits would further increase the number of PRH applications and the waiting time for PRH,

and considered that the Government and HA should step up efforts in increasing PRH supply. At the meeting, the Panel passed two non-binding motions, details of which are at **Annex 1**.

4. Our response to the motions is set out in the ensuing paragraphs. Views/suggestions raised by Members and the Department's response are summarised at **Annex 2**.

Reviewing the mechanism and taking into account the level of SMW

5. The existing annual review of the PRH income and asset limits based on objective data has been an effective mechanism for updating the limits in light of the latest situations. PRH income limits are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision. This approach aims at measuring the total household income required to rent private accommodation comparable to PRH sizes and meeting other non-housing expenditure. As for the PRH asset limits, they are adjusted annually by taking into account the changes in the Consumer Price Index (CPI)(A). Households with income and assets below the prescribed limits are deemed to be unable to afford renting private accommodation, and hence are eligible for PRH. SHC reviews the limits annually to keep them in line with the prevailing socio-economic circumstances.

6. In its annual review of the PRH income limits, SHC will not only take into account the latest data on household expenditure, but will also make adjustments where appropriate in view of actual circumstances. When SHC reviewed the PRH income limits for 2011/12, in view of the implementation of SMW starting from 1 May 2011, it endorsed an increase in the contingency provision from the original 5% of the household expenditure by an additional 10% (the contingency provision for that year was therefore 15% of the household expenditure). The additional provision sought to provide a bigger buffer in the income limits to cope with possible changes arising from the implementation of SMW. The contingency provision was subsequently reverted to 5% in the review for 2012/13.

7. SHC reviews the existing mechanism from time to time to ensure that it reflects the latest social developments. In view of public concern about the impact of the implementation of SMW, SHC reviewed the mechanism for adjusting the PRH income limits in February 2013, and decided to introduce the change in nominal wage index obtained through the Labour Earnings Survey conducted by the Census and Statistical Department (C&SD) as the income factor to reflect changes in income in a timely manner before the Housing

Expenditure Survey (HES) results were updated^{Note 1}. The change in nominal wage index was considered to be a suitable yardstick for gauging changes in income of the PRH target group and to reflect the impact of SMW on income because it 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. Therefore, since 2013/14, the non-housing costs have been determined with reference to the latest HES results, with adjustments according to the latest movement in the CPI(A)(excluding housing costs), or the change in the nominal wage index, whichever is higher.

8. There are views that the monthly income of a two-person household with two working members earning an income at the new SMW level (i.e. \$34.5 per hour) will already exceed the recommended PRH income limit for two-person households (i.e. \$17,600) if each working member works for an average of 10 hours per day and 26 days per month, hence becoming ineligible for PRH. The PRH income limits derived according to the existing mechanism are therefore deemed to be too low. In this regard, SMW only stipulates the minimum wage per hour earned by an individual. However, the actual income earned by individual households depends on various factors, such as the number of working members, as well as the number of working hours and working days of each member; and hence cannot be generalised^{Note 2}. On the other hand, as

Note 1 SHC considered that the current household expenditure-based mechanism could adequately reflect the affordability of households in relation to private rental accommodation and other expenditure for assessing their eligibility for PRH. SHC was also of the view that changes in income would be reflected in the changes in expenditure over time. Therefore, the current household expenditure-based mechanism has in fact taken into account the changes in income. However, SHC was aware that C&SD updated HES every five years. Before the updating of the HES results, changes in income might not be reflected in the PRH income limits in a timely manner.

Note 2 We understand that the Mandatory Provident Fund Schemes Authority calculates the Minimum Relevant Income Levels under the Mandatory Provident Fund (MPF) on the basis that each working member works for 9 hours per day and 26 days per month. If we adopt this benchmark as reference, a two-person household with two working members earning an income at SMW level (i.e. \$34.5 per hour) will have a monthly income of \$16,146 (i.e. \$34.5 per hour x 9 hours per day x 26 days per month x two persons). Such income amount is lower than the proposed 2018/19 PRH income limit for two-person households (i.e. \$17,600; or \$18,526 after including the MPF contribution). Even if 10 hours per day is adopted, the monthly household income would be \$17,940, which is still lower than the income limit after including the MPF contribution (\$18,526). In other words, a two-person household with two working members earning an income at SMW level should be able to meet the 2018/19 PRH income limit for two-person households.

mentioned in paragraph 5 above, the PRH income limits are derived using a household expenditure-based approach. Household expenditure is assessed on a household basis rather than an individual basis, and is calculated based on objective data covering housing costs^{Note 3} and non-housing costs of households with different sizes. Its annual adjustment takes into account factors such as changes in income and inflation in the previous year. Therefore, we do not consider it necessary to compare the PRH income limits with any estimated household income based on SMW.

Increasing public housing supply

9. We appreciate the keen public demand for increasing public housing supply. The Government will continue to step up efforts in increasing housing supply on the basis of the Long Term Housing Strategy (LTHS). According to LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target in order to capture social, economic and market changes over time and to make timely adjustment where necessary. The supply target is based on objective data of different demand components, and enables the Government to plan ahead on a continuing basis on developing land and housing in order to meet the housing needs of the community over the long term.

10. As mentioned in the LTHS Annual Progress Report 2017^{Note 4}, the Government has adopted 460 000 units as the total housing supply target for the ten-year period from 2018-19 to 2027-28. Based on the public/private split of 60:40 in the new housing supply, the target for public housing units is 280 000 units, including 200 000 PRH units and 80 000 SSFs^{Note 5}. Assuming that all sites identified can be smoothly delivered on time for housing development, the Government has identified land for the construction of about 237 000 public housing units in the next ten years. The Government will

Note 3 For reference, based on the 2016 Population By-census Thematic Report: Persons Living in Subdivided Units, among the rent-paying households living in SDUs, the median monthly rent is \$4,500, which is lower than the housing costs of households of different sizes in this year's review (for example, the housing costs of one-person, two-person, three-person and four-person households are \$5,319, \$7,213, \$9,598 and \$11,267 respectively).

Note 4 The report has been uploaded to the following website –
https://www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS_Annual_Progress_Report_2017.pdf

Note 5 According to LTHS, the housing supply targets are derived based on a ten-year period; no five-year supply targets are set.

continue to increase the housing land supply in the short, medium and long term through a multi-pronged approach ^{Note 6} in order to meet the public housing supply target of 280 000 units.

11. As regards the five-year period from 2017-18 onwards, the total public housing production of HA and the Hong Kong Housing Society is about 99 700 units, which shows a steady increase when compared with the estimated housing production figures of the previous four five-year periods. Among these units, there are about 74 600 PRH units and 25 100 SSFs. To increase the supply for public housing, HA and relevant departments will continue to proactively examine how to better utilise identified and existing public housing sites, as well as to expedite construction works where possible.

12. In addition to new PRH supply, recovery of PRH units is another major source of supply. On average, there is a net recovery of over 7 000 PRH units per year from tenants. When more SSF projects come on stream, more PRH units could be recovered for allocation. From time to time, HA also reviews and adopts appropriate measures to ensure fair and rational allocation of limited PRH resources with priority accorded to those with more pressing housing needs. In addition, HA will continue with its efforts in combatting tenancy abuse to safeguard the rational use of PRH resources.

Converting private housing sites for public housing development

13. There are suggestions that the Government should convert some private housing sites for public housing development, considering that the supply of private housing units is relatively more adequate. In this regard, the planning of land for public housing has to take into account a series of factors. Not all sites originally earmarked for private housing are suitable for high-density public housing development. The Government gives detailed consideration and conducts assessments in the district context through land use review. When putting forth development proposals for public housing sites, consideration will be given to a host of planning factors, such as traffic and infrastructure capacity, provision of community facilities, development constraints, local characteristics and existing development intensity, as well as potential impacts on the local environment, visual quality and air ventilation, etc.

Note 6 These measures include setting up the Task Force on Land Supply in September 2018 to examine different land supply options; streamlining development control; conducting land use review and rezoning; and developing new development areas, etc.

14. On the one hand, the Government will continue to identify suitable sites in different parts of the territory for public housing development. On the other hand, the Government also needs to maintain a certain number of sites in the Land Sale Programme to provide the market with a steady supply of sites for private residential development, with a view to addressing the community's housing needs and ensuring the stable and healthy development of the private residential property market.

15. Since 2011, over ten residential sites originally planned for private housing have been converted for development of over ten public housing projects. These include the completed SSF projects at Wang Yip Street West, Yuen Long (Wang Fu Court) and Sha Tsui Road, Tsuen Wan (Sheung Chui Court); as well as a number of public housing projects in the Islands District, Eastern District, Sai Kung District and Shatin District expected to be completed in the coming five years. These sites would provide a total of about 6 100 flats. The private residential development project above the Tin Shui Wai West Rail Station has also been converted to public housing development, which will provide about 2 400 flats scheduled for completion in 2018/19. The Government will continue to review the situation from time to time to assess the most suitable use of the sites as necessary. Sites originally planned for private housing will be re-allocated for public housing where appropriate.

16. After SHC's discussion of the review findings, we will relay the decision on the PRH income and asset limits for 2018/19 to the LegCo Panel on Housing for their information.

INFORMATION

17. This paper is issued for Members' information.

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Secretary, Subsidised Housing Committee
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(Strategy Division)
Date of Issue : 15 March 2018

**Non-binding Motions Passed by
the LegCo Panel on Housing at the Meeting on 5 March 2018**

- (1) “The proposal of HA to revise the income and asset limits for PRH for 2018-19 will increase the number of PRH applications while certainly further lengthening the waiting time for PRH as the supply of PRH has not been increased. This Panel expresses disappointment that the latest Budget has failed to propose any short-term measures to ease the rental pressure faced by members of the public on the PRH waiting list; and reiterates that under the situation where the supply of private residential flats in the next five years far exceeds the target under the LTHS, the authorities should convert those lands for private residential developments outside the target into lands for public housing developments, so as to fill the gap arising from the inadequate supply of public housing.”

Moved by : Hon Wilson OR Chong-shing, MH
Seconded by : Hon LAU Kwok-fan, MH

- (2) “This Panel requests the authorities to expeditiously review the mechanism for determining the income and asset limits for PRH applications, so that the applications for PRH will be more “down-to-earth” and fair.”

Moved by : Hon HO Kai-ming
Seconded by : Hon LUK Chung-hung

**Views/Suggestions of Members of the LegCo Panel on Housing on the
Review Findings and the Department's Response**

Views/Suggestions of Members of the LegCo Panel on Housing on the Review Findings	The Department's Response
<p>1. The proposed increase in PRH income and asset limits will increase the number of eligible applicants for PRH, which will further increase the number of PRH applications and average waiting time (AWT)^{Note 1} for PRH</p>	<ul style="list-style-type: none"> • The proposed income and asset limits are generally higher than the existing levels, hence should cover more households. However, we are unable to estimate the number of additional households who will apply for PRH due to the new limits. Analysing only the income levels based on the results of C&SD's General Household Survey as at the fourth quarter of 2017, some 140 000 non-owner occupied households living in private housing (27.8% of the total number of non-owner occupied households living in private housing) would meet the new income criterion. However, this number has included households who have already applied for PRH, as well as those who can meet the income criterion but not other eligibility criteria for PRH (such as the asset limits, domestic property ownership in Hong Kong, years of residence in Hong Kong, etc.). Therefore, this number is not directly equal to the number of eligible households for PRH applications.

Note 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/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc.). AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months. As at end-December 2017, AWT of general applicants was about 4.7 years.

<p style="text-align: center;">Views/Suggestions of Members of the LegCo Panel on Housing on the Review Findings</p>	<p style="text-align: center;">The Department's Response</p>
	<ul style="list-style-type: none"> • AWT is the average of the waiting time of PRH applicants who were housed in the past 12 months. Therefore, the waiting time of general applicants will only be reflected in the AWT when they are housed. Newly registered general applicants will not have any immediate impact on AWT. • In order to address the housing needs of PRH applicants, the Government and HA will continue to step up efforts in increasing public housing supply. Details on relevant work are provided in paragraphs 9 to 12 of the paper.
<p>2. Since the public housing supply cannot meet the supply target, the Government should change the public/private split from 60:40 to 70:30</p>	<ul style="list-style-type: none"> • In the face of the housing supply-demand imbalance, to underline the Government's commitment in increasing public housing supply while ensuring the stable and healthy development of the private market, the Government considers that the public/private split of new housing supply should be maintained at 60:40 to address the community's demands for housing in a timely manner. • As explained by the Government on different occasions, since land supply is limited, if the proportion of public housing out of the total new housing supply is to be further raised, it will inevitably reduce the supply of private housing and exert pressure on prices and rents in the private residential market. This may in turn increase the number of households which can no longer afford to purchase or rent private units. Therefore, the Government

Views/Suggestions of Members of the LegCo Panel on Housing on the Review Findings	The Department's Response
	<p>must be cautious in considering any suggestion to revise the relevant ratio in order to strike a balance between public and private housing development. Reducing the ratio of private housing hastily will go against the policy direction of maintaining the stable and healthy development of the private market.</p>
<p>3. The PRH income limits derived according to the existing methodology will induce some PRH applicants to give up opportunities for jobs, pay rise or promotion in order to meet the PRH income limits.</p>	<ul style="list-style-type: none"> • As pointed out in paragraph 5 of the paper, under the existing mechanism, PRH income limits are derived using a household expenditure-based approach to objectively measure the total household income required to rent private accommodation comparable to PRH while also meeting other non-housing expenditure. Households with income below the prescribed limits are deemed to be unable to afford renting private accommodation, hence eligible for PRH. • As explained in paragraph 7 of the paper, SHC improved the mechanism for adjusting the PRH income limits in February 2013 by introducing the change in nominal wage index as the income factor. Non-housing costs are now adjusted according to the latest movement in the CPI(A)(excluding housing costs) or the change in the nominal wage index, whichever is higher. In the current review, as the annual change in nominal wage index (+3.7%) is higher than the yearly change in CPI(A)(excluding housing costs)(+1.2%), the change in nominal wage index is adopted to adjust the non-housing costs.

Views/Suggestions of Members of the LegCo Panel on Housing on the Review Findings	The Department's Response
<p>4. Since the PRH supply has been inadequate, the Government has suppressed the PRH income limits deliberately to reduce the number of families eligible for PRH application</p>	<ul style="list-style-type: none"> • We adjust the income and asset limits in accordance with the established mechanism based on objective data to ensure that the limits can reflect the latest market situations. This adjustment mechanism has been effective and is not affected by the number of households eligible for PRH application. In fact, we are unable to estimate the actual impact of adjusting the income and asset limits on the number of PRH applications. • In last year's review, the number of non-owner occupier households living in private housing who could meet the PRH income limits proposed at the time (i.e. 153 000) was based on the results of the General Household Survey (GHS) conducted by C&SD in the fourth quarter of 2016; whereas the relevant figure in this year's review (i.e. 140 000) is based on the results of C&SD's GHS in the fourth quarter of 2017. The two figures reflect situations at different time points, and are affected by various factors such as the changes in household income, whether the households have become home owners or residents in public housing. Hence the figures are not directly comparable. • It is more appropriate to compare the number of non-owner occupier households living in private housing who can meet the existing PRH income limits and the proposed PRH income limits based on the GHS results in the fourth quarter of 2017 (i.e. 135 900 and

Views/Suggestions of Members of the LegCo Panel on Housing on the Review Findings	The Department's Response
	<p>140 000 respectively), which shows an increase of 4 100 households. However, the above figures only take into account the income levels and include households who have already applied for PRH, as well as those who can meet the income criterion but not other eligibility criteria for PRH (such as the asset limits, domestic property ownership in Hong Kong, years of residence in Hong Kong, etc.).</p>
<p>5. When assessing whether a PRH applicant can meet the PRH income limit, his/her income from part-time work will be projected as a monthly salary on a pro-rata basis, and may hence exceed the income limit</p>	<ul style="list-style-type: none"> • The average monthly income of a PRH applicant and his/her family members who are earning irregular income from part-time work is determined in accordance with the established method, which is summarised as follows – <ul style="list-style-type: none"> (i) For irregular basic salary and income from part-time, casual, irregular work, etc., the amount is calculated by averaging the total income of 6 months before the date of declaration/detailed vetting interview (i.e. the total amount of income in 6 months ÷ 6 months); (ii) If the period of employment is less than six months, the amount is calculated by dividing the total amount of income received during the said period by the corresponding number of months^{Note 2}; and

Note 2 For example, if the applicant is only employed in two months out of the six months before the date of declaration/detailed vetting interview and is still employed, it will be calculated by the total amount of income in 2 months ÷ 2 months.

Views/Suggestions of Members of the LegCo Panel on Housing on the Review Findings	The Department's Response
	<p>(iii) If the total household income based on the average of the irregular income received in the past six months before the date of declaration exceeds the PRH income limit, the monthly irregular income based on the average of the past 12 months before the date of declaration can be adopted.</p> <p>The above calculation method is stipulated in the Application Guide for Public Rental Housing for public reference.</p>

Public Rental Housing (PRH) Income and Asset Limits for 2018/19

Household Size	PRH Income Limits for 2018/19*		PRH Asset Limits for 2018/19^
1-Person	\$11,540	(\$12,147)	\$249,000
2-Person	\$17,600	(\$18,526)	\$338,000
3-Person	\$22,390	(\$23,568)	\$440,000
4-Person	\$27,920	(\$29,389)	\$514,000
5-Person	\$33,920	(\$35,705)	\$571,000
6-Person	\$37,330	(\$39,295)	\$618,000
7-Person	\$42,700	(\$44,947)	\$660,000
8-Person	\$47,740	(\$50,253)	\$692,000
9-Person	\$52,650	(\$55,421)	\$764,000
10-Person and above	\$57,450	(\$60,474)	\$823,000

* Figures in brackets denote the effective income limits inclusive of the statutory Mandatory Provident Fund (MPF) contribution for households contributing 5% of their income under MPF.

^ Asset limits for elderly households (i.e. households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.

- End -