

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1220/17-18(02)

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**Panel on Housing**

**Meeting on 10 July 2018**

**Updated background brief prepared by the Legislative Council Secretariat  
on rent review for public rental housing**

**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 summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

**Background**

2. The PRH rent adjustment mechanism as stipulated in the Housing Ordinance (Cap. 283) came into effect on 1 January 2008.<sup>1</sup> Section 16A of the Housing Ordinance provides that HA shall conduct a rent review every two years and vary the PRH rent according to the change in the income index between the first and second periods covered by the review.<sup>2</sup> 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.

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<sup>1</sup> The Housing (Amendment) Bill 2007 which introduced the rent adjustment mechanism was passed by the Legislative Council in June 2007 and came into operation on 1 January 2008.

<sup>2</sup> For the 2016 PRH rent review, the first period is the 12 months in 2013, while the second period is the 12 months in 2015.

3. Section 16A(7)(b) of the Housing Ordinance specifies that the Commissioner for Census and Statistics shall, in relation to the compilation of the income index, compute the index. This includes the computation of the change in the income index between the first and second periods. To collect the income data of PRH tenants for computing the income index, a sample of 2 000 PRH households is randomly selected by HA each month for the first and the second periods.<sup>3</sup> The methodology for data collection and computation under the rent adjustment mechanism is set out in Annex A to LC Paper No. CB(1)1059/15-16(05), which is hyperlinked in the **Appendix**.

4. HA has conducted four reviews of PRH rent in 2010, 2012, 2014 and 2016 under the current rent adjustment mechanism. The table below sets out the rates of rent adjustment in the respective review exercises and rent relief, if any, provided to PRH tenants in relevant year –

| <b>Rent review/<br/>year</b> | <b>Change<br/>in income<br/>index</b> | <b>Rate of rent<br/>adjustment<br/>implemented<br/>(effective date)</b> | <b>Rent waiver<br/>granted<br/>by HA, if any</b> | <b>Rent relief<br/>provided in the<br/>Budget, if any</b> |
|------------------------------|---------------------------------------|---|--|---|
| First review<br>in 2010      | +4.68%                                | +4.68%<br>(effective<br>1 September<br>2010)                            | One-month rent<br>waiver for<br>September 2010   | Nil   |
| Second review<br>in 2012     | +16.24%                               | +10%<br>(effective<br>1 September<br>2012)                              | One-month rent<br>waiver for<br>September 2012   | Two-month rent<br>relief for July<br>and August<br>2012   |
| Third review<br>in 2014      | +19.27%                               | +10%<br>(effective<br>1 September<br>2014)                              | Nil  | One-month rent<br>relief for August<br>2014               |
| Fourth review<br>in 2016     | +16.11%                               | +10%<br>(effective<br>1 September<br>2016)                              | Nil  | Nil   |

<sup>3</sup> 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.

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

5. The Panel has discussed at its meetings the PRH rent adjustment mechanism and the outcomes of the previous four rent reviews.<sup>4</sup> The major views and concerns expressed by members are summarized in the ensuing paragraphs.

### Impact of rent increases on tenants

6. Panel members generally considered that the PRH rent adjustments in the past three reviews which were all +10% were high, and expressed concern on the impact of the rent increases on PRH tenants, especially those on the lower income band.

7. The Administration advised that after section 16A of the Housing Ordinance was enacted in June 2007, HA reduced the PRH rent by 11.6% in August 2007, and the first rent review was conducted in 2010. On a cumulative basis, the income of PRH households had increased by 68.5% from 2007 (the first period of the first rent review) to 2015 (the second period of the fourth rent review), whereas PRH rent had only increased cumulatively by 39.3% over all four rent reviews conducted under the rent adjustment mechanism. In other words, income increase had far exceeded the rent increase. As regards the average PRH rent to the average PRH household income, the ratio was 9.97% in 2007, and had decreased to 9.10% after the rent increase in accordance with the 2016 review.

### Rent adjustment mechanism

8. Some members opined that an increase in household income did not necessarily bring about an improvement to the living standard of PRH households. The rent adjustment mechanism was inadequate and undesirable as it only took account of increase in household income but not inflation or rise in household expenses. There was a need for HA to work out a mechanism based on tenants' financial ability, to ensure that any rent adjustments in the future would not result in a lower living standard for PRH tenants. A motion urging HA to revisit the rent adjustment mechanism, with a view to making further improvements, was passed at the Panel meeting on 29 June 2016.

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<sup>4</sup> Meetings on 7 January, 1 March and 20 July 2010, 4 June 2012, 7 July 2014 and 29 June 2016.

9. The Administration advised that the rent adjustment mechanism provided an objective basis for HA to determine when PRH rent should be adjusted and by how much, taking into account tenants' affordability. It was proposed by HA after lengthy discussions and extensive public consultation since 2001. In formulating the mechanism, various adjustment methods (i.e. Consumer Price Index ("CPI")(A), CPI(A) excluding housing expenditure, median monthly household income and income index) and their pros and cons had been thoroughly examined. CPI reflected the level of consumption expenditure rather than affordability. Using tenants' household income as the basis for rent adjustment best reflected their affordability.

#### Rent assistance and relief measures

10. Some members were of the view that assistance or relief measures should be put in place to alleviate the burden of PRH tenants brought by rent increases. The Panel passed a motion calling upon HA to offer a one-month rent waiver to PRH tenants when discussing the third and fourth reviews at the meetings on 7 July 2014 and 29 June 2016 respectively.

11. The Administration advised that it had been a long-established policy for HA to set the PRH rent at affordable levels. At the same time, under section 4(4) of the Housing Ordinance, the policy of HA should be directed to ensuring that the revenue accruing to it from its estates should be sufficient to meet its recurrent expenditure on its estates. Granting a rent waiver to all PRH tenants irrespective of whether tenants were in need might not be the best use of HA's financial resources. Instead, there should be targeted assistance to those tenants who were in need. HA operated the Rent Assistance Scheme ("RAS") to help PRH tenants with temporary financial difficulties pay their rent.<sup>5</sup> Depending on the level of their income, eligible applicants would be granted either 25% or 50% rent reduction. PRH tenants would also benefit from the Government's initiatives and could apply for various government schemes which assisted low-income families. Tenants with recurrent financial difficulties could apply for the Comprehensive Social Security Assistance, which included rent allowance.

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<sup>5</sup> HA introduced RAS in 1992 to provide temporary relief in the form of a rent reduction to tenants who are facing temporary financial hardship.

## Rent Assistance Scheme

12. On members' suggestion that HA should conduct a review on RAS with a view to relaxing its eligibility criteria, the Administration advised that during the 2014 rent review, HA had reviewed the RAS's operation, and enhanced the scheme's publicity and application process so that more tenants who were in need would know about the scheme and benefit from it.<sup>6</sup> As a result of the enhancements which took effect in August 2014, the number of RAS beneficiaries increased by 24%, from about 12 300 as at July 2014 to about 15 300 as at December 2015, accounting for about 2% of all PRH households. In its review on the operation of RAS in July 2016, HA endorsed two measures to further enhance the scheme, namely (i) the relaxation of the frequency of review of RAS eligibility from once every year to once every two years, to relieve RAS households from preparing income documents for vetting of their eligibility every year, and (ii) the relaxation of the requirement for non-elderly RAS beneficiaries living in newer block types to move to cheaper accommodation within the same district (subject to availability of suitable flats) if they continued to require rent assistance after receiving it for three consecutive years to four consecutive years.<sup>7</sup>

### **Latest development**

13. The Administration will brief members on the result of the 2018 rent review for PRH at the Panel meeting on 10 July 2018.

### **Relevant papers**

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

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<sup>6</sup> Details of the enhancements are set out in Annex F to LC Paper No. [CB\(1\)1059/15-16\(05\)](#).

<sup>7</sup> LC Paper No. [CB\(1\)1156/15-16\(01\)](#)

## Rent review for public rental housing

## List of relevant papers

| Council/<br>Committee | Date of meeting | Paper   |
|-----------------------|-----------------|---|
| Bills<br>Committee    | ---             | Report of the Bills Committee on Housing (Amendment) Bill 2007 to the Council meeting on 13 June 2007 (LC Paper No. <a href="#">CB(1)1871/06-07</a> )   |
| Panel on<br>Housing   | 7 January 2010  | Administration's paper on "New Rent Adjustment Mechanism for Public Rental Housing" (LC Paper No. <a href="#">CB(1)796/09-10(03)</a> )<br><br>Minutes of meeting (LC Paper No. <a href="#">CB(1)1208/09-10</a> )          |
| Panel on<br>Housing   | 1 March 2010    | Administration's paper on "New Rent Adjustment Mechanism for Public Rental Housing" (LC Paper No. <a href="#">CB(1)1059/09-10(01)</a> )<br><br>Minutes of meeting (LC Paper No. <a href="#">CB(1)1744/09-10</a> )         |
| Panel on<br>Housing   | 20 July 2010    | Administration's paper on "New Rent Adjustment Mechanism for Public Rental Housing" (LC Paper No. <a href="#">CB(1)2600/09-10(01)</a> )<br><br>Minutes of special meeting (LC Paper No. <a href="#">CB(1)2873/09-10</a> ) |
| Panel on<br>Housing   | 4 June 2012     | Administration's paper on "Second Rent Review for Public Rental Housing" (LC Paper No. <a href="#">CB(1)2038/11-12(03)</a> )<br><br>Minutes of meeting (LC Paper No. <a href="#">CB(1)2557/11-12</a> )                    |
| Council               | 19 June 2013    | <a href="#">Council question</a> on Rent Assistance Scheme  |

| <b>Council/<br/>Committee</b> | <b>Date of meeting</b> | <b>Paper</b>   |
|-------------------------------|------------------------|--|
| Panel on Housing              | 7 July 2014            | Administration's paper on "Third Rent Review for Public Rental Housing" (LC Paper No. <a href="#">CB(1)1742/13-14(01)</a> )<br><br>Minutes of meeting (LC Paper No. <a href="#">CB(1)43/14-15</a> )  |
| Council                       | 22 June 2016           | <a href="#">Council question</a> on Rent adjustment for public rental housing  |
| Panel on Housing              | 29 June 2016           | Administration's paper on "2016 rent review of public rental housing" (LC Paper No. <a href="#">CB(1)1059/15-16(05)</a> )<br><br>Minutes of meeting (LC Paper No. <a href="#">CB(1)1199/15-16</a> )<br><br>Follow-up paper (LC Paper No. <a href="#">CB(1)1156/15-16(01)</a> ) |