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Panel on Housing

Meeting on 2 March 2020

**Updated background brief prepared by the Legislative Council Secretariat
on income and asset limits for public rental housing**

Purpose

This paper provides updated background information on the income and asset limits for public rental housing ("PRH"), and gives a summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

2. It is the Hong Kong Housing Authority ("HA")'s objective to provide PRH to low-income families who cannot afford to rent private accommodation. The eligibility of PRH applicants is determined by way of the PRH income and asset limits, which measure the total household income required to rent private accommodation comparable to PRH while also meeting other non-housing expenditure. 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. The limits are reviewed annually to keep them in line with the prevailing socio-economic circumstances.

Review of income limits

3. Under the established mechanism, the PRH income limits are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision. Housing costs measure the cost of renting a private flat comparable to PRH. This depends on the differential unit rents of private accommodation and reference flat sizes. The non-housing cost is determined with reference to the latest Household Expenditure Survey ("HES") conducted by the Census and Statistics Department ("C&SD")¹, with adjustments made according to (a) the latest movement in the Consumer Price Index (A) ("CPI(A)") (excluding housing costs), or (b) the change in the nominal wage index obtained through the Labour Earnings Survey conducted by C&SD as the income factor², whichever is higher. The PRH income limits for different household sizes are the respective sums of the two major cost items, plus a 5% contingency provision. A diagram showing the calculation mechanism is at **Appendix I**.

Review of asset limits

4. Under the established mechanism, the PRH asset limits are adjusted annually with reference to the movements in CPI(A) over the year under review.

¹ C&SD conducts HES at five yearly intervals to collect information on the expenditure patterns of households in Hong Kong for updating the expenditure weights used for compiling the Consumer Price Indices. A new round of HES (i.e. 2019/20 HES) has been launched in mid-September 2019 (<https://www.censtatd.gov.hk/surveys/hes/index.jsp>)

² The Subsidised Housing Committee of HA approved at its meeting on 7 February 2013 the refinement to the mechanism for reviewing the PRH income limits, whereby the change in nominal wage index was introduced as the income factor to reflect changes in income (including implementation and changes of the statutory minimum wage ("SMW")) before the HES results were updated. According to the Administration, the change in nominal wage index was considered to be a suitable yardstick to gauge changes in income of the PRH target group and to reflect the impact of SMW on income, because it covered occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who were most likely to be the potential applicants for PRH.

5. In 2005, the Subsidised Housing Committee ("SHC") of HA agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants. SHC further decided in 2006 that the asset limits for 2005-2006 should be adopted as the basis for future annual adjustments, taking into account the respective movements in CPI(A).

Adjustment of PRH income and asset limits

6. The PRH income and asset limits for 2019-2020 have increased by an average of 4.2% and 3.1% respectively over those for 2018-2019.³ The PRH income and asset limits of various household sizes for 2019-2020 are in **Appendix II**.

Members' views and concerns

7. The Panel monitors the review of the PRH income and asset limits by discussing the outcomes of the latest review each year. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Increase in number of applicants waiting for public rental housing

8. Members opined that raising the PRH income and asset limits would increase the number of eligible PRH applicants, which might result in further lengthening of the PRH waiting time amidst the shortfall in PRH supply. To fill the gap in land supply for public housing, the Government should continue to re-allocate more private housing sites for public housing development.

9. The Administration advised that increase of income and asset limits would not affect the waiting time of those general applicants who were already waiting for PRH allocation, given that new applications received after the implementation of the new income and asset limits would be placed at the end of the queue. To further increase public housing supply, the Government had been re-allocating private housing land for public housing

³ Apart from endorsing the PRH income and asset limits for 2019-2020, SHC of HA also endorsed on 15 March 2019 the exclusion of the Working Family Allowance from the calculation of PRH applicants' income starting from 1 April 2019 (Hong Kong Housing Authority's [press release](#) on 15 March 2019).

development at appropriate times. For the two financial years of 2016/2017 and 2017/2018, eight private housing sites, located in Kai Tak, Anderson Road Quarry, Ex-Cha Kwo Ling Kaolin Mine, Queen's Hill and Tung Chung, had been re-allocated for public housing. In June 2018, the Government had announced its decision to re-allocate for public housing nine sites at Kai Tak and Anderson Road Quarry, which were originally intended for sale in the coming few years. The Administration would continue to review the situation from time to time to determine the most suitable use of sites. Where appropriate, sites originally planned for private housing would be re-allocated for public housing.⁴ Apart from increasing supply of new housing, the Administration would continue with other measures, such as rationalizing the use of existing public housing, etc.

Measures to alleviate housing difficulties faced by public rental housing applicants

10. In view that to meet the PRH eligibility, non-elderly singletons' monthly income could not be higher than the proposed income limit for one-person households, members opined that a singleton with such low income might not be able to afford a private rental accommodation while also meeting other living expenses. Considering that the PRH waiting time of non-elderly one-person applicants was long, members asked about the Administration's measures to alleviate their difficulties when they were waiting for PRH.

11. The Administration advised that the Government was aware of the impact brought about by the increasing rents on tenants living in private accommodation. Nevertheless, the crux of the housing difficulties in Hong Kong lied with the prolonged and serious housing demand-supply imbalance. The fundamental solution to the problem of surging rent caused by insufficient supply was a continued and stable increase in the supply of housing. The Government was endeavouring to increase land supply, speed up housing production and introduce transitional housing at the same time, so as to address the housing needs of inadequately-housed households. For those who were unable to live in PRH but encountered financial difficulties, the Government had all along been implementing various subsidies and assistance schemes to address their needs.

⁴ LC Paper No. CB(1)766/18-19(01)

12. On the question of whether the Administration had studied the types of housing where PRH applicants were residing in order to understand their housing difficulties and work out appropriate measures to assist them, the Administration advised that HA regularly conducted the PRH Applicants Survey to understand the socio-economic characteristics of PRH applicants, such as their age, educational background, living conditions, etc. In its annual update of the rolling ten-year housing supply target under the Long Term Housing Strategy ("LTHS"), the Administration would take into account, among others, the housing demand of inadequately-housed households, including those living in subdivided units and industrial buildings, in its long term housing demand projection. Therefore, the housing supply target under LTHS had already covered the housing needs of PRH applicants residing in inadequate housing.

Review of the mechanism for adjusting the income and asset limits

13. When discussing the proposed PRH income and asset limits for 2019-2020, members opined that the monthly income of two-person households with both working members earning statutory minimum wage ("SMW") (i.e. \$37.5 per hour starting from 1 May 2019) and working for 10 hours a day and 26 days a month was \$19,500 which was marginally below the proposed income limit (i.e. \$19,674 after taking into account the contribution under the Mandatory Provident Fund Scheme). As the two-person household income would exceed the limit if a working member worked slightly overtime, some families might give up working longer hours in order to meet the limit. In view that the proposed income limit derived according to the existing adjustment mechanism was low and hence some low-income families might fall outside the PRH eligibility net, some members enquired whether HA would conduct a review on the mechanism.

14. The Administration advised that under the established mechanism, the PRH income limits were derived using a household expenditure approach, which consisted of housing costs and non-housing costs, plus a contingency provision. In its annual review of the PRH income limits, SHC of HA would not only take into account the latest data on household expenditure, but would also make adjustments where appropriate in view of actual developments and circumstances in the community. In view of public concern about the impact of the implementation of SMW, SHC had reviewed the mechanism for adjusting the PRH income limits in February 2013, and considered that the nominal wage index was a suitable yardstick

for gauging changes in income of the PRH target group and reflecting the impact of SMW on income. Since 2013/2014, the non-housing costs had been determined with reference to the latest results of HES conducted by C&SD, with adjustments made according to the latest movement in CPI(A)(excluding housing costs) or the change in the nominal wage index obtained through the Labour Earnings Survey conducted by C&SD as the income factor, whichever was higher. The nominal wage index covered occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who were most likely to be the potential applicants for PRH. The industries covered under the nominal wage index also covered the industries of workers earning SMW, such as security services, cleaning services, retail trade, restaurants, estate management, etc. Therefore, the existing PRH income limit adjustment mechanism already reflected the changes in SMW.

Method for deriving contingency provision

15. On the question of whether HA would review the method of deriving contingency provision under the adjustment mechanism and consider revising it from currently 5% to 10% of household expenditure in order to reflect the proportion of income a household actually set aside as "contingency money", the Administration advised that the then HA's Rental Housing Committee and Home Ownership Committee had reviewed the mechanism for setting the PRH and Home Ownership Scheme income and asset limits in 2002. In the review, the Committees considered that the method of calculating household expenditure had not taken into account households' legitimate expectation of setting aside a certain portion of their income as savings or "contingency money". Given that there was no official assessment of household savings rate in Hong Kong, the Committees had adopted 5% of household expenditure as the contingency provision. The Committees considered that the contingency provision equivalent to 5% of household expenditure should be sufficient, taking into account that the established method of assessing non-housing expenditure had already covered some non-essential items (such as alcoholic drinks, tobacco, beauty treatment, tours, etc.).

Criteria for determining the eligibility of public rental housing applicants

16. When discussing the proposed PRH income and asset limits for 2016-2017, members opined that as rentals for private flats were high, screening the PRH applicants by their income and assets might not reflect

the quality of life of the ineligible applicants because they were paying a big portion of their income on rentals. There was a suggestion that the Administration/HA 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. The Administration responded that the eligibility of applicants could be assessed more objectively under the existing review mechanism of PRH income and asset limits than using the suggested criteria.

Vetting of public rental housing applications

17. Some members opined that there was a growing concern about PRH applications from new arrivals who owned properties in the Mainland. They expressed concern about HA's practice of vetting PRH applicants' ownership of properties or other assets in places outside Hong Kong, and opined that HA should tighten its checks in this area.

18. The Administration advised that under the HA's established system, PRH applicants were obliged to declare all the information as required, including all assets (such as properties) owned by them in and outside Hong Kong, in a true and accurate manner. They were also required to make a declaration that all the particulars furnished were true and correct. Under the Housing Ordinance (Cap. 283), it was a criminal offence to provide false information and make a false statement. The PRH applications would be cancelled and the applicants concerned might be liable to prosecution. When the application reached the stage of "detailed vetting", HA would invite the applicant and his/her family members to conduct the "detailed vetting" meeting. After the meeting, HA would carry out follow-up investigations as necessary, including request of information from institutions outside Hong Kong. Before or after the "detailed vetting", HA would also conduct random checks, including verification of data with Government departments and organizations and request of information from institutions outside Hong Kong when necessary. At any stage, upon receipt of reports of PRH applications involving suspected concealment of information (including income, assets or family status, etc.), HA would carry out in-depth investigations into those cases with reasonable suspicion.⁵

⁵ LC Paper No. CB(1)766/18-19(01)

19. On the question about the Housing Department ("HD")'s manpower to conduct random checks on PRH applications and follow up reports relating to applicants' concealment of information, the Administration advised that HD flexibly deployed manpower to cope with wide range of tasks, and the staff performing random checks on PRH applications or following up reports relating to PRH applicants' concealment of information had other duties such as tackling PRH tenancy abuse. The Administration explained that apart from verifying the asset declarations of PRH applicants, random checks on PRH applications also served other purposes, such as combating tenancy abuse.

Checking on the eligibility of applicants under the Quota and Points System

20. In view that the PRH supply was insufficient to meet demand, some members questioned whether the regular exercises conducted by HA to check the eligibility of non-elderly one-person applicants under the Quota and Points System ("QPS") were intended to suppress their PRH demand.

21. The Administration advised that the annual checking exercise on QPS applicants sought to review whether the applicants' eligibility had changed during the waiting period of PRH allocations due to changes in their family status, income and assets. This enabled HA to better understand the actual situations of non-elderly one-person applicants and assess their actual demand for PRH. Therefore, the exercise did not seek to suppress the actual demand of non-elderly one-person applicants. According to established mechanism, applicants who objected to the cancellation of their applications could request a review within two months from the date of the written notification of cancellation issued by HD. Besides, the current mechanism also provided for reinstatement of applications, such that applicants whose applications were cancelled due to failure in meeting income and/or asset limits might request reinstatement after six months and within two years from the first date of cancellation of their applications, if they were eligible for PRH again due to changes in their family status or adjustments in their income and/or net asset value.⁶

⁶ LC Paper No. CB(1)766/18-19(01)

Latest development

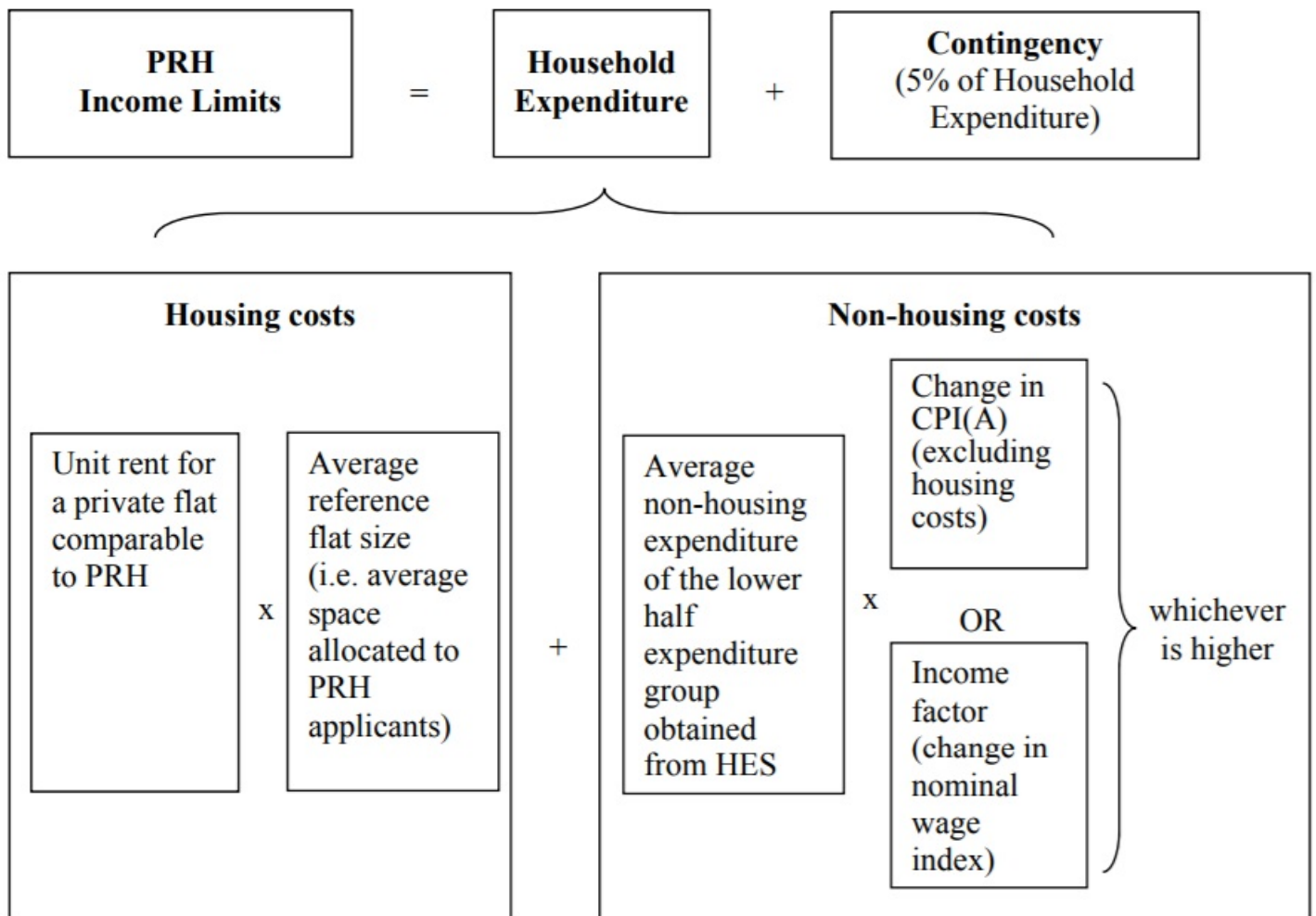
22. The Administration will brief the Panel on the review of the PRH income and asset limits for 2020-2021 at the meeting on 2 March 2020.

Relevant papers

23. A list of relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
28 February 2020

Mechanism for determining the Public Rental Housing Income Limits



Source: [LC Paper No. CB\(1\)634/18-19\(03\)](#)

**Income and Asset Limits for Public Rental Housing for 2019-2020
(Effective from 1 April 2019)**

Household Size	PRH Income Limits for 2019-2020^{Note 1}	PRH Asset Limits for 2019-2020^{Note 2}
1-Person	\$11,830 (\$12,453)	\$257,000
2-Person	\$18,690 (\$19,674)	\$348,000
3-Person	\$23,010 (\$24,221)	\$454,000
4-Person	\$29,240 (\$30,779)	\$530,000
5-Person	\$35,280 (\$37,137)	\$589,000
6-Person	\$38,810 (\$40,853)	\$637,000
7-Person	\$44,550 (\$46,895)	\$680,000
8-Person	\$49,820 (\$52,442)	\$713,000
9-Person	\$54,940 (\$57,832)	\$788,000
10-Person and	\$59,950 (\$63,105)	\$849,000

Note¹ 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.

Note² Asset limits for elderly households (i.e. households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.

Source: Hong Kong Housing Authority's [press release](#) on 15 March 2019

Income and Asset Limits for Public Rental Housing

List of relevant papers

Committee	Date of meeting	Paper
Panel on Housing	4 March 2013	Administration's paper on "Review of Waiting List Income and Asset Limits for 2013/14" (LC Paper No. CB(1)619/12-13(04)) Minutes of meeting (LC Paper No. CB(1)1390/12-13)
Panel on Housing	3 March 2014	Administration's paper on "Review of Waiting List Income and Asset Limits for 2014/15" (LC Paper No. CB(1)984/13-14(04)) Minutes of meeting (LC Paper No. CB(1)1505/13-14)
Panel on Housing	2 March 2015	Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2015/16" (LC Paper No. CB(1)575/14-15(05)) Minutes of meeting (LC Paper No. CB(1)786/14-15)
Panel on Housing	7 March 2016	Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2016/17" (LC Paper No. CB(1)605/15-16(04)) Minutes of meeting (LC Paper No. CB(1)834/15-16)
Panel on Housing	6 March 2017	Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2017/18" (LC Paper No. CB(1)617/16-17(03)) Minutes of meeting (LC Paper No. CB(1)900/16-17) Administration's supplementary paper (LC Paper No. CB(1)709/16-17(01))

Committee	Date of meeting	Paper
Panel on Housing	5 March 2018	Administration's paper on "Review of income and asset limits for public rental housing for 2018-19" (LC Paper No. CB(1)627/17-18(03)) Minutes of meeting (LC Paper No. CB(1)1214/17-18) Administration's supplementary paper (LC Paper No. CB(1)731/17-18(01))
Panel on Housing	4 March 2019	Administration's paper on "Review of income and asset limits for public rental housing for 2019-20" (LC Paper No. CB(1)634/18-19(03)) Minutes of meeting (LC Paper No. CB(1)1318/18-19) Administration's supplementary paper (LC Paper No. CB(1)766/18-19(01))