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The Government of the Hong Kong Special Administrative Region

運輸及房屋局

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30 July 2020

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,

2020 Rent Review of Public Rental Housing (PRH)

At the meeting of the Legislative Council Panel on Housing (Panel) on 6 July 2020, Members discussed the outcome of the 2020 PRH rent review. Views of Members, the motions passed by the Panel and the Housing Department's observations and responses have been relayed to the Hong Kong Housing Authority (HA)'s Subsidised Housing Committee (SHC). The relevant SHC paper is provided at Annex.

At its meeting on 28 July 2020, SHC noted Members' views, the Panel's motions as well as the Department's responses, and endorsed the outcome of the 2020 PRH rent review in accordance with Section 16A of the Housing Ordinance (HO), thereby adjusting the PRH rent upwards by 9.66% from 1 September 2020. At the same time, SHC also decided to provide a two-month rent waiver to PRH tenants by virtue of Section 17 of the HO. This can largely offset the financial burden of PRH tenants arising from the upward rent adjustment of 9.66% in the current rent review cycle (i.e. from 1 September 2020 to 31 August 2022).

Taking into account that the rent adjustment cycle is two years, and that the Government had already provided rent payments for two months and rates concessions (equivalent to about 3.14 months' rent in total) to PRH tenants this

year, the SHC agreed that the rent waiver will be implemented through a two-step approach, i.e. one-month's rent will be waived each in September 2020 and September 2021 respectively, so as to relieve the impact of rent adjustment on PRH tenants in the second year of the rent review cycle (i.e. from 1 September 2021 to 31 August 2022). In addition, making reference to the arrangement for the rent waiver provided by HA in 2010 and 2012, the rent waiver this time will cover the portion of net rent of PRH tenants who are required to pay additional rent (i.e. well-off tenants), meaning that they are only required to pay the portion of additional rent and rates.

Yours sincerely,

(Jenny YH CHAN)

for Secretary for Transport and Housing

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

2020 Rent Review of Public Rental Housing –

**Views of the Legislative Council Panel on Housing
at the meeting on 6 July 2020 and the Department's Responses**

PURPOSE

This paper –

- (a) informs Members of the comments made by the Legislative Council (LegCo) Panel on Housing (Housing Panel) on the outcome of the 2020 Rent Review of Public Rental Housing (PRH) and the Department's responses; and
- (b) invites Members to endorse providing a two-month rent waiver to PRH tenants and the relevant implementation arrangement.

RECOMMENDATION

2. Members are recommended to –

- (a) endorse providing a two-month rent waiver to PRH tenants (paragraph 8 below) and the relevant implementation arrangement (paragraph 23 below); and
- (b) approve the declassification of this paper after the meeting (paragraph 28 below).

BACKGROUND

3. The Hong Kong Housing Authority (HA)'s Subsidised Housing Committee (SHC) will consider the 2020 PRH Rent Review at its meeting on 20 July 2020. The paper was issued to SHC Member on 23 June 2020 (see Paper No. SHC 30/2020 for details). As in the past, we provided the same paper to the Housing Panel on the same day. In his response to a LegCo Member's question regarding PRH rent review at the LegCo meeting on 24 June 2020, the Secretary for Transport and Housing indicated that in view of the impact of the pandemic on the overall socio-economic environment and PRH tenants, and balancing PRH tenants' affordability and the healthy and sustainable development of HA's finance, the Government had decided to recommend SHC to provide a rent waiver of two months^{Note 1}. We subsequently briefed the Housing Panel on the outcome of the rent review and listened to LegCo Members' views on 6 July 2020. Views of the Housing Panel Members and the Housing Department's responses and observations are now submitted for SHC's consideration.

VIEWS OF THE HOUSING PANEL

4. At the Housing Panel's meeting, Members' views were mainly categorised into three aspects:

- (a) In view of the prevailing challenging economic environment and given HA's healthy and stable financial situation, HA should freeze rent or grant a rent waiver of two to three months so as to ease the financial burden of PRH tenants;
- (b) Under the current difficult economic situation, the fact that HA must still increase rent in accordance with the mechanism showed that the income data were time-lagged and the mechanism lacked flexibility. Therefore, HA should review the prevailing rent adjustment mechanism, so that HA can adjust PRH rent with reference to the latest data in future, and freeze rent or defer the rent review as appropriate; and

Note 1 The relevant speech by the Secretary for Transport and Housing was issued to SHC members for reference by email on 24 June 2020.

- (c) HA was requested to review the Rent Assistance Scheme (RAS), such as lifting the restriction that tenants living in newer PRH block types must have fulfilled the two-year residence requirement before they could apply for RAS, relaxing the requirement of moving to cheaper accommodation in the same district after having received rent assistance and resided in newer block types for four years; and providing additional rent reduction levels (e.g. granting 75% rent reduction to lower income households), etc., in order to enhance the utilisation rate of RAS.

At the meeting, the Housing Panel passed three non-binding motions. Details are set out at Annex.

5. Our responses and observations to the above views and motions are summarised in the ensuing paragraphs.

Freezing rent/Granting rent waiver

6. Quite a number of LegCo Members considered that HA should freeze rent under the current difficult economic situation; while some Members suggested providing rent waiver to PRH tenants, so as to offset the rent adjustment of 9.66%.

7. According to section 16A of the Housing Ordinance, HA shall review and adjust rent in accordance with the mechanism stipulated by law. Section 16A(1)(b) of the Housing Ordinance stipulates that HA “shall review the relevant rent as soon as practicable after the second anniversary of the expiry date of the second period for the last review”, i.e. HA shall conduct a review of PRH rent every two years. Section 16A(4) provides that if HA is satisfied that the income index for the second period is higher than the income index for the first period by more than 0.1%, HA shall increase the rent by the rate of the increase in the income index or 10%, whichever is less; if HA is satisfied that the income index for the second period is lower than the income index for the first period by more than 0.1%, HA shall reduce the rent by the rate of reduction in the income index and there is no lower limit in case of rent reduction; and that HA shall adjust rent as soon as practicable. Hence, if HA does not adjust the rent pursuant to the stipulated mechanism, it would not be acting in accordance with section 16A of the Housing Ordinance and would in effect be violating the law.

8. According to section 17 of the Housing Ordinance, HA may remit rent of tenants for such period as it thinks fit. As mentioned in paragraph 3 above, in view of the impact of the pandemic on the overall socio-economic environment and PRH tenants, on balancing PRH tenants' affordability and the healthy and sustainable development of HA's finance, we **recommend providing a two-month rent waiver for PRH tenants**. This can substantially offset the financial burden of PRH tenants arising from the upward rent adjustment of 9.66% in the current rent review cycle (i.e. from 1 September 2020 to 31 August 2022), which is effectively the same as freezing rent.

9. Some LegCo Members considered that under the current difficult economic situation, HA should provide a three-month rent waiver for PRH tenants, so as to further relieve their financial burden. In putting forward the recommendation of a two-month rent waiver, we have considered the following factors –

- (a) given that the current global and local economic environment is unstable and the economic downturn will affect the livelihood of PRH tenants, we need to introduce appropriate measure to relieve the financial burden of rent adjustment on PRH tenants. As mentioned above, **the two-month rent waiver would roughly achieve the effect of freezing rent;**
- (b) in view of the challenging economic environment, the Government has allocated funding to HA twice to pay rent for lower income PRH tenants for a total of two months this year, which were implemented in January and July respectively. Together with the rates concession separately provided by the Government for all the four quarters in 2020-21, **the rent payments and rates concessions provided by the Government would be equivalent to a saving of 3.14 months' rent in 2020 for PRH tenants**^{Note 2}; and
- (c) the PRH rent adjustment is based on the change in the income index between the first and second periods according to the Housing Ordinance. It is not related to the financial position of HA. On the other hand, as far as HA's financial position is concerned, as the stock of public housing will increase in the next few years, HA has to secure sufficient funds to meet the relevant construction and

Note 2 See paragraph 22(a) of Paper No. SHC 30/2020 for details.

operational expenses. Therefore, we also need to reasonably consider the financial burden of providing a three-month rent waiver on HA. Assuming that HA will provide a two-month rent waiver in this rent review cycle (i.e. to provide a one-month rent waiver each in September 2020 and September 2021 respectively), the rental income forgone by HA in the current and next financial years will be about \$3.5 billion in total. If HA is to provide a three-month rent waiver in the current rent review cycle, the rental income forgone by HA in the current and next financial years will be about \$5.1 billion in total.

Reviewing the rent adjustment mechanism

10. Some LegCo Members indicated that since the local economic outlook had become uncertain with the latest unemployment rate reaching as high as 5.9%, the income of some PRH tenants was seriously affected; yet HA still had to increase PRH rent according to the outcome of the current rent review (i.e. by 9.66% according to the increase in PRH tenants' income) due to the statutory requirement. They considered that this had reflected that the income data were time-lagged and therefore requested HA to conduct a comprehensive review on the existing rent review mechanism and amend the prevailing statutory provisions, including to allow HA to make reference to more recent data to reflect the latest situation; to provide flexibility for HA to freeze rent or defer the rent review as appropriate; and to lower the 10% cap. On the other hand, some LegCo Members also considered that the rent adjustment mechanism adopted before the existing mechanism which came into effect in 2008 should be reinstated.

Current mechanism

11. The Housing Ordinance was amended by way of a Private Members' Bill in 1997 and the amended ordinance came into effect in March 1998. The then section 16(1A) of the Housing Ordinance stipulated that the overall median rent-to-income ratio (MRIR) for all estates should not exceed 10% after rent adjustment, and HA's determination of variation of rent^{Note 3} for any estate should take effect at least three years from the date on which the preceding determination of rent of the relevant estate came into effect.

Note 3 According to the Court of Final Appeal's ruling in November 2005, the words "determination of variation of rent" mean any decision to increase rent and do not extend to a decision to reduce rent.

However, there was no requirement for HA to review rent on a regular basis. At that time, the significant impact of the Asian financial crisis on the local economy had resulted in reduced wages and rising unemployment rate. In light of this, HA endorsed waiving the rent increases in 1998 and 1999 and deferred all PRH rent reviews from 1999 onwards, and also provided a one-month rent waiver for PRH tenants in December 2001. Despite the above measures, the median rent-to-income ratio continued to rise and exceeded 10% (and reached 14.7% in the third quarter of 2004). Such situation had aroused public concern. Therefore, HA established an Ad Hoc Committee to formulate a more well-defined PRH rent adjustment mechanism, so as to ensure that rents were kept within tenants' affordability while HA would have sufficient financial support to maintain the sustainability of its public housing programme. The Ad Hoc Committee considered that the continuous increase in MRIR had been brought by a combination of many extraneous factors other than changes in rents and household income^{Note 4}. It called into question whether the MRIR as a measure of tenants' affordability still met the modern day requirement. Moreover, the then mechanism also lacked objective basis for HA to consider whether it was necessary to reduce rent, and if so, the timing and rate of rent reduction. Therefore, HA was of the view that there was a need to consider whether a more well-defined alternative mechanism should be put in place to guide rent adjustment.

12. The existing rent adjustment mechanism is the outcome of extensive and long public discussions. HA conducted the Review on Domestic Rent Policy from 2001 to 2006, including a three-month public consultation. During the process, detailed consideration was given to various adjustment methods, and it was eventually considered that PRH rent adjustment based on tenants' household income could best reflect tenants' affordability. The Amendment Bill, which was passed by LegCo in June 2007 and took effect on 1 January 2008, established the existing PRH rent adjustment mechanism based on PRH tenants' household income. To provide a starting point for the rent adjustment mechanism to operate effectively, HA further reduced the PRH rent by 11.6% in August 2007.

Note 4 For example, the number of PRH tenants receiving the Comprehensive Social Security Assistance (CSSA) increased significantly at that time; but the rental burden was not an issue for such tenants because their PRH rents were fully paid by the Social Welfare Department. However, the increase in such cases had pushed up the overall median rent-to-income ratio.

13. The existing rent adjustment mechanism has the following characteristics –

- (a) the mechanism provides **an objective statutory basis** for PRH rent adjustment, which stipulates that HA shall adjust its PRH rent according to the change in its PRH tenants' income over the past two years to ensure that the rate of rent adjustment can meet tenants' affordability. Similar to the review or adjustment mechanisms of other public service fees, relevant practices also take into account objective data as the basis for adjustment;
- (b) there is a **10% cap on the rate of rent increase, whereas there is no floor in case of rent reduction**. Accordingly, the ratio of the average PRH rent to the average PRH household income will only improve in the long run. Actual experience also shows that the current rent adjustment mechanism based on tenants' income has achieved the intended objective of the legislation when it was enacted in 2007, which **could ensure PRH tenants' affordability more consistently and objectively when compared to other options** –
 - (i) the overall income of PRH households has increased cumulatively by **106.2%** ^{Note 5} over the 12 years from 2007 to 2019, whereas PRH rent has only increased by **68.1%** cumulatively (upon a 9.66% rent increase pursuant to the outcome of the current rent review). This shows that the increase in tenants' income has far exceeded the rent increase. In other words, the after-rent income available for tenants' saving or meeting other living expenses has in fact increased; and

Note 5 This figure is obtained by comparing the 2007 income index (set at 100) with the 2019 income index. According to the methodology of the current rent adjustment mechanism, the household distribution in 2007 was adopted in calculating the income index for 2019.

- (ii) as a crude comparison, the ratio of the average PRH rent to the average PRH household income has gradually decreased from **9.97%** in 2007 to **9.39%** after the rent increase in accordance with the current review^{Note 6}. Although these figures are not the actual rent-to-income ratio, they can provide an indicative reference on the PRH tenants' affordability; and
- (c) the mechanism enables HA to **grant rent waiver to PRH tenants as necessary**. According to section 17 of the Housing Ordinance, HA may remit rent of tenants for such period as it thinks fit (see paragraph 8 above). We consider that the relevant statutory provision has provided HA with sufficient flexibility to take into account various factors, including the prevailing economic situation etc., and offer suitable assistance to PRH tenants as appropriate.

14. Some LegCo Members pointed out that PRH rent was increased in all the past five rent reviews, showing that PRH rent could only be adjusted upwards but not downwards under the existing mechanism. Pursuant to the statutory requirement (see paragraph 7 above), depending on the change in the household income of PRH tenants, PRH rent may be increased (subject to a 10% cap) or reduced (with no lower limit). In future, should the tenants' income be found to have dropped based on the data collected under the law, HA would have to reduce rent according to the rate of income reduction by virtue of the statutory requirement.

Note 6 The calculation is as below –

	2007	2019
Average PRH rent	\$1,319 (first period of the 2010 review)	\$2,072 × (1 + 9.66%) = \$2,272 (9.66% rent increase pursuant to the 2020 Rent Review outcome)
Average PRH household income	\$13,233 (calculated based on the actual household distribution in 2007)	\$24,194 (calculated based on the actual household distribution in 2019)
Average PRH rent/ Average PRH household income	\$1,319 / \$13,233 = 9.97%	\$2,272 / \$24,194 = 9.39%

15. In fact, when SHC conducted the last (i.e. 2018) PRH rent review, it had reviewed the existing rent adjustment mechanism and other options raised by the public regarding PRH rent adjustment (such as inflation, wage index and median rent-to-income ratio)^{Note 7}. In summary, upon considering various alternatives to revise the mechanism, SHC agreed that the current mechanism could better protect tenants' affordability more effectively in both conceptual and practical terms, and decided that it should be maintained.

Rent review cycle

16. Some LegCo Members considered that the rent review cycle should be extended to three years. The Housing Ordinance provides that HA shall conduct a rent review every two years. This arrangement was the outcome of an extensive public consultation and discussions by the relevant Bills Committee of LegCo. The relevant requirement has taken into account the concern that cumulative changes in income index over a relatively long period of three years may give rise to a large degree of rent adjustment which tenants may find it difficult to cope with. A rent review cycle of two years allows HA to react more quickly to changes in socio-economic circumstances and is therefore more preferable. When it is necessary to reduce rent in the light of tenants' income reduction, a review cycle of two years, instead of three years, can better protect tenants' affordability.

Enhancing the Rent Assistance Scheme (RAS)

17. RAS aims to provide assistance in the form of rent reductions to PRH tenants who are facing temporary financial hardship. In implementing RAS over the past 20 years, HA has been reviewing its operation and introducing enhancements from time to time in light of the comments received. Upon implementation of various publicity work and enhancement measures in the past, the number of RAS beneficiaries increased substantially by 70%, from about 12 300 as at July 2014 to about 21 000 as at June 2020, with about 95% of beneficiaries receiving a 50% rent reduction. Details on RAS and its enhancement measures as well as various publicity work in the past are set out at **Annex F to SHC 30/2020**.

Note 7 See Annex G of Paper No. SHC 38/2018 and Paper No. SHC 41/2018 for the detailed analysis.

18. LegCo Members have made various suggestions on RAS with a view to enhancing the utilisation rate of the scheme. Some LegCo Members suggested lifting the restriction that tenants living in newer PRH block types^{Note 8} must have fulfilled the two-year residence requirement before they could apply for RAS. In fact, **the two-year residence requirement will be exempted for tenants within the first two years of intake in such estates if they are affected by rent increase pursuant to the rent review, or face a drastic change in family circumstance which has resulted in a drop of household income within the first two years of intake.** The above arrangements should be able to cater for PRH tenants with financial difficulties. When tenants consider whether to accept a housing offer, regardless they are new tenants or existing tenants applying for transfer, if they are of the view that they cannot afford the rent of the allocated flat, the Housing Department will arrange another appropriate flat which can meet their affordability. As mentioned above, the aim of RAS is to provide assistance in the form of rent reduction to tenants who are facing temporary financial hardship. Tenants who are in need of more comprehensive or long-term financial assistance may apply to the Social Welfare Department for CSSA which includes rental allowance. As at end March 2020, about 112 000 tenants under HA were receiving CSSA with full rental allowance, constituting about 14% of all PRH tenants.

19. Some LegCo Members suggested relaxing the requirement for RAS beneficiaries living in newer block types to move to cheaper accommodation in the same district upon receiving rent assistance for four consecutive years. It should be noted that in the past, after receiving rent assistance for three consecutive years, non-elderly RAS beneficiaries living in newer block types, if still in need of RAS, were required to move to cheaper accommodation in the same district if suitable flats were available. **Starting from September 2016, the requirement of moving to cheaper accommodation has been relaxed from three to four consecutive years.** RAS beneficiaries who accept the relocation can receive a relocation allowance and a one-month rent-free period for the new tenancy. We believe that the current four-year arrangement has struck a suitable balance between minimising inconvenience to residents and utilising the precious PRH resources.

Note 8 These refer to Harmony blocks and rental flats converted from the Home Ownership Scheme/Private Sector Participation Scheme/Buy-or-Rent Option and blocks completed in or after 1992.

20. On the other hand, some LegCo Members suggested allowing tenants who faced unexpected financial difficulties to defer their rent payments for six months. In view of the impact of the Covid-19 pandemic on the economy, HA has already put in place a temporary relief measure to withhold the issuance of Notice-to-Quit (NTQ) from May to October 2020 to tenants who cannot settle their rent payments on time due to financial hardship. Tenants/licensees paying either normal rent or reduced rent under RAS, and with household income below the PRH income limit, may submit a one-off application to HA for withholding the issuance of NTQ. If approved, the NTQ against rent defaulting households will be withheld up to October 2020. Approved tenants/licensees can settle all their outstanding rent by November 2020.

21. As regards LegCo Members' proposals to provide additional rent reduction levels (e.g. to grant a 75% rent reduction to lower income households) or to align providing a 50% rent reduction to all tenants receiving rent assistance, as well as the suggestion to offer rent concessions to tenants who can settle three-month rent payment in a lump sum, based on the principle of balancing the rational use of public resources and taking into account the current relief measures to alleviate the financial burden of lower income PRH tenants (including the measure that the Government has allocated funding to HA twice to pay rent for lower income PRH tenants for a total of two months this year, and the current recommendation of HA's provision of another two-month rent waiver to tenants as described below), we consider that there is no need to revise the existing arrangements of RAS.

22. We will continue to keep in view the operation of RAS and consider measures to further enhance the scheme as appropriate.

IMPLEMENTATION ARRANGEMENT FOR THE RENT WAIVER

23. As regards the implementation arrangement for the two-month rent waiver for PRH tenants, possible arrangements are –

- (a) to waive the rent in September and October 2020 consecutively; or
- (b) to waive the rent through a two-step approach, i.e. to waive one-month's rent each in September 2020 and September 2021 respectively.

Taking into account that the rent adjustment cycle is two years, as well as the fact that the rent payments and rates concessions provided by the Government would be equivalent to a rent saving of 3.14 months in 2020 for PRH tenants as mentioned in paragraph 9(b) above, we **recommend to adopt the option under paragraph 23(b) above** so as to relieve the impact of rent adjustment on PRH tenants in the second year of the rent review cycle (i.e. from 1 September 2021 to 31 August 2022). Making reference to the arrangement for the rent waiver provided by HA in 2010 and 2012, we also **recommend to cover the portion of net rent of PRH tenants who are required to pay additional rent (i.e. well-off tenants)** (i.e. they are still required to pay the portion of additional rent and rates).

FINANCIAL IMPLICATIONS

24. Subject to Members' endorsement of the rent waiver arrangement under paragraph 23(b) above, the rental income forgone by HA in the current and the next financial years will be about \$3.5 billion in total^{Note 9}.

PUBLIC REACTION AND PUBLICITY

25. As a statutory requirement, HA shall increase the rent by 9.66% as derived according to the established mechanism as provided for in section 16(A) of the Housing Ordinance. Subject to Members' endorsement of granting a two-month rent waiver for PRH tenants in this rent adjustment cycle pursuant to section 17 of the Housing Ordinance, we believe such decision will be acceptable to the public. The arrangement can not only relieve the financial burden of PRH tenants in face of the current difficult economic situation in Hong Kong, but it can also take into account the healthy and sustainable development of HA's finance. If individual tenants are still in need of additional short-term rent assistance, they can seek assistance through HA's RAS or from the Social Welfare Department.

Note 9 If the rent waiver arrangement under paragraph 23(a) above is adopted, the rental income forgone by HA in the current financial year will be about \$3.2 billion.

26. Subject to SHC's endorsement of the outcome of the current rent review and the arrangement of providing a two-month rent waiver for PRH tenants, we will issue a press release to set out SHC's decisions on the level of rent adjustment and rent waiver. In accordance with past practice, PRH tenants will be notified of their new rent levels one month in advance.

27. This paper is copied to Members of HA and the Finance Committee concurrently for information.

DECLASSIFICATION

28. We recommend that this paper be declassified after the meeting and made available to the public at HA's webpage, the Housing Department's library and through the Departmental Access to Information Officer.

DISCUSSION

29. Members will be invited to consider whether to endorse the recommendation under paragraph 2 above at the SHC meeting to be held on 20 July 2020.

Lennon WONG
Secretary, Subsidised Housing Committee
Tel. No.: 2761 5033
Fax No.: 2761 0019

File Ref. : HD(CR) 4-4/SP/10-10/0-3
(Strategy Division)
Date of Issue : 15 July 2020

c.c. Members of the Housing Authority
Members of the Finance Committee

**Non-binding Motions Passed by
the LegCo Panel on Housing at the Meeting on 6 July 2020**

- (1) “This Panel expresses grave disappointment that, while Hong Kong is experiencing economic recession and poor market conditions, and its unemployment rate has reached a record high in 15 years, HA still proposes increasing rent by 9.66% against the market trend, and urges HA to exercise the power conferred under section 17 of the Housing Ordinance to offset the rate of increase in the current rent review exercise, with a view to achieving the effect of freezing rent. Meanwhile, this Panel also requests HA to expeditiously formulate measures to help PRH tenants counter the economic downturn, including waiving the rent of PRH tenants for at least two months, refining the current application threshold of RAS and the rate of rent reduction, and allowing tenants facing sudden financial difficulties to defer rent payment for six months, etc., so as to tide over the hard times with PRH residents.”

Moved by : Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung, JP

- (2) “The proposed rent increase of HA under the 2020 PRH rent review is 9.66%, which is against the market trend and exposes once again the loopholes in the existing PRH rent adjustment mechanism. In particular, as the rate of PRH rent adjustment is simply determined according to the income index of residents for the past two years, there is a time lag of two years in the rent adjustment statistics and factors such as the prevailing economic conditions and inflation, etc. cannot be taken into account. Hence, this Panel requests the Government and HA to immediately conduct a comprehensive review of the PRH rent adjustment mechanism, so that PRH rent will no longer only be adjusted upward but not downward, a time lag will not exist anymore in the adjustment process, and the mechanism will no longer fail to respond to the prevailing economic situation.”

Moved by : Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung, JP

- (3) “As there has been an economic downturn in Hong Kong since mid-2019, quite a number of PRH tenants have encountered economic hardship, while the latest unemployment rate announced has reached 5.9%, which is a 15-year record high. In this connection, this Panel urges the authorities:
1. to provide, apart from the proposal of granting a two-month rent waiver, in effect freezing the rent of PRH rental units from 2020 to 2022, an additional one-month rent waiver to alleviate the financial pressure on tenants;
 2. to lift the restriction, under the existing RAS, of a two-year accommodation requirement for tenants living in ‘newer block types’ before they may apply for rent assistance, and align the two-tier rent reduction to a 50% rent reduction; and
 3. to conduct a comprehensive review of the rent adjustment mechanism, including studying the introduction of a mechanism for freezing rent or postponing the rent review exercise, conducting a rent review every three years instead of every two years, and lowering the 10% cap on the rate of rent increase.”

Moved by : Hon Vincent CHENG Wing-shun, MH, JP
Seconded by : Hon CHEUNG Kwok-kwan, JP