

# 立法會 *Legislative Council*

LC Paper No. CB(1)610/20-21(04)

Ref. : CB1/PL/HG

## **Panel on Housing**

**Meeting on 1 March 2021**

### **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, among others, the PRH income limit, which represents the household income needed 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 low-income families who are 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 costs of renting a private flat comparable to PRH, and these depend on the differential unit rents of private accommodation and reference flat sizes. The non-housing costs are determined with reference to the latest Household Expenditure Survey ("HES") conducted by the Census and Statistics Department ("C&SD")<sup>1</sup>, 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 factor<sup>2</sup>, 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.
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).

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<sup>1</sup> 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. The latest round of HES (i.e. 2019/20 HES) was conducted in mid-September 2019 (<https://www.censtatd.gov.hk/surveys/index.jsp>)

<sup>2</sup> 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.

### Adjustment of PRH income and asset limits

6. The PRH income and asset limits for 2020-2021 have increased by an average of 5.4% and 3.4% respectively over those for 2019-2020. The PRH income and asset limits of various household sizes for 2020-2021 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.

### Review of the mechanism for adjusting the income and asset limits

8. When discussing the proposed PRH income and asset limits for 2020-2021, members called on the Administration/HA to conduct a review on the mechanism for adjusting the income limits, which in their view, should take into account the PRH demand of those households with working members earning statutory minimum wage ("SMW"). Members observed that some of these households might be forced to work less and earn less income in order to remain eligible for PRH but by doing so they found it difficult to afford the private housing rent when waiting for PRH.

9. The Administration explained that SMW only stipulated the minimum wage per hour earned by an individual. The actual income earned by individual households depended 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 could not be generalized. Regardless of the level of income limits, there would always be households whose income would exceed the income limits. The Administration/HA needed to focus the limited PRH resources on assisting households with the most pressing needs. Under the existing review mechanism, PRH income limits were 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 and assets below the prescribed limits were deemed to be unable to afford renting private accommodations, and hence were eligible for PRH. HA conducted review on the established

mechanism from time to time to ensure that the mechanism could reflect the latest social development and situation.<sup>3</sup> In fact, following the implementation of SMW, HA's SHC had refined the review mechanism by introducing the change in nominal wage index as the income factor to reflect changes in income.

#### Proportion of contingency provision to household expenditure

10. In view that the income limits for different household sizes were the respective sums of the housing and non-housing costs, plus a contingency provision of 5% of household expenditure, members opined that HA should raise the percentage of household expenditure as the contingency provision in order to reflect the proportion of income a household actually set aside as "contingency money", which, as some members suggested, should be 10% instead.

11. 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 two 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.).<sup>4</sup>

#### Increase in public rental housing applicants

12. Members enquired about the measures for dealing with the increasing number of PRH applicants and prolonged waiting time for PRH as a result of more households falling within the PRH eligibility net when their working members lost their jobs or their income declined under the prevailing economic situation

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<sup>3</sup> LC Paper No. [CB\(1\)709/16-17\(01\)](#)

<sup>4</sup> LC Paper No. [CB\(1\)566/19-20\(01\)](#)

13. The Administration advised that new PRH applications received by HA would be placed at the end of the queue, and hence would not affect the waiting time of those applicants who were already waiting for PRH allocation. To deal with the increase in the number of PRH applicants, the fundamental solution was to increase the supply of land and public housing. The estimated public housing production was about 100 000 units in the coming five years. It was expected that more units would be available in the second five years (i.e. 2026-2027 to 2030-2031).<sup>5</sup> To alleviate the hardship faced by families awaiting PRH and other inadequately housed households in short term, the Administration had launched various measures to support the implementation of transitional housing projects.<sup>6</sup> Furthermore, the Government had announced on 14 January 2020 that it would, on a trial basis, provide cash allowance to eligible General Applicant households (i.e. families with two or more persons and elderly single-person applicants) not living in public housing, not receiving the Comprehensive Social Security Assistance and having waited for PRH for more than three years, until they were offered the first PRH allocation.

14. 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.<sup>7</sup>

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<sup>5</sup> The 2020 Policy Address delivered in November 2020 announced that the Government had identified the 330 hectares of land required for providing 316 000 public housing units.

<sup>6</sup> LC Paper No. [CB\(1\)679/19-20](#)

<sup>7</sup> LC Paper No. [CB\(1\)1318/18-19](#)

### Impact of Well-off Tenants Policies

15. Members pointed out that PRH households with income exceeding the prescribed income and asset limits might apply for deletion of their younger working members from the tenancy in order to avoid having to vacate their flats under the HA's Well-off Tenants Policies ("WTP"). After moving out from their parents' PRH units, these young people might apply for PRH, thus further increasing the number of PRH applications and aggravating the shortfall of PRH units.

16. The Administration advised that given the limited PRH resources, HA had introduced WTP to stipulate which sitting PRH tenants were regarded as households who were capable of taking care of their housing needs and should surrender their units to HA for re-allocation to applicants on the waiting list. To help meet the housing needs of the tenants who would vacate their PRH units under WTP and the households that fell outside the PRH eligibility net, the Administration/HA had put in place various housing schemes, such as Green Form Subsidised Home Ownership Scheme, White Form Secondary Market Scheme, etc., to increase the supply of subsidized sale flats.<sup>8</sup>

### Criteria and mechanism for assessing the eligibility for public rental housing

17. Members considered that screening the PRH applicants based on 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 expensive rentals for private flats. 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.

18. Some members opined that the motive behind the regular exercises conducted by HA to check the eligibility of non-elderly one-person applicants under the Quota and Points System ("QPS") was to suppress their PRH demand.

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<sup>8</sup> LC Paper No. [CB\(1\)679/19-20](#)

19. The Administration denied the allegation and explained that the exercise was 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, so as to enable HA to better understand the actual situations of non-elderly one-person applicants and assess their actual demand for PRH. According to the 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 the Housing Department. 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.<sup>9</sup>

### **Latest development**

20. The Administration will brief the Panel on the review of the PRH income and asset limits for 2021-2022 at the meeting on 1 March 2021.

### **Relevant papers**

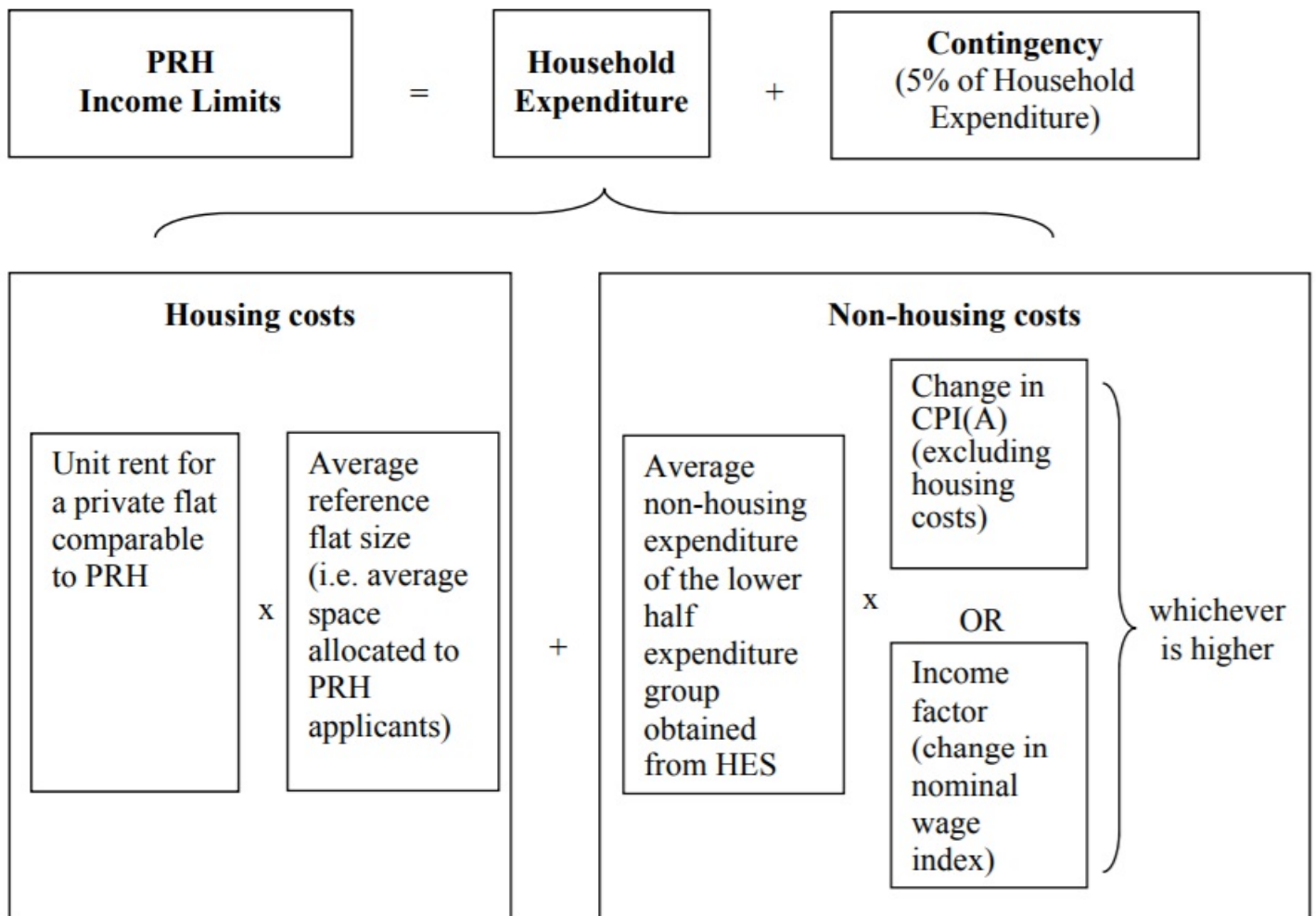
21. A list of relevant papers is in **Appendix III**.

Council Business Division 1  
Legislative Council Secretariat  
25 February 2021

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<sup>9</sup> LC Paper No. [CB\(1\)766/18-19\(01\)](#)

**Mechanism for determining the Public Rental Housing Income Limits**



Source: [LC Paper No. CB\(1\)418/19-20\(03\)](#)



**Income and Asset Limits for Public Rental Housing for 2020-2021  
(Effective from 1 April 2020)**

<b>Household Size</b>	<b>PRH Income Limits for 2020-2021<sup>Note 1</sup></b>	<b>PRH Asset Limits for 2020-2021<sup>Note 2</sup></b>
1-Person	\$12,800 (\$13,474)	\$266,000
2-Person	\$19,430 (\$20,453)	\$360,000
3-Person	\$24,410 (\$25,695)	\$469,000
4-Person	\$30,950 (\$32,579)	\$548,000
5-Person	\$36,890 (\$38,832)	\$609,000
6-Person	\$40,840 (\$42,989)	\$659,000
7-Person	\$46,770 (\$49,232)	\$703,000
8-Person	\$52,310 (\$55,063)	\$737,000
9-Person	\$57,710 (\$60,747)	\$815,000
10-Person and	\$62,980 (\$66,295)	\$878,000

Note <sup>1</sup> 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.

Note <sup>2</sup> 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 10 March 2020

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

<b>Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
Panel on Housing	5 March 2018	Administration's paper on "Review of income and asset limits for public rental housing for 2018-19" <a href="#">(LC Paper No. CB(1)627/17-18(03))</a>  Minutes of meeting ( <a href="#">LC Paper No. CB(1)1214/17-18</a> )  Administration's supplementary paper ( <a href="#">LC Paper No. CB(1)731/17-18(01)</a> )
Panel on Housing	4 March 2019	Administration's paper on "Review of income and asset limits for public rental housing for 2019-20" <a href="#">(LC Paper No. CB(1)634/18-19(03))</a>  Minutes of meeting ( <a href="#">LC Paper No. CB(1)1318/18-19</a> )  Administration's supplementary paper ( <a href="#">LC Paper No. CB(1)766/18-19(01)</a> )
Panel on Housing	9 March 2020	Administration's paper on "Review of income and asset limits for public rental housing for 2020-21" <a href="#">(LC Paper No. CB(1) 418/19-20(03))</a>  Minutes of meeting (LC Paper No. <a href="#">CB(1)679/19-20</a> )  Administration's supplementary paper ( <a href="#">LC Paper No. CB(1)566/19-20(01)</a> and <a href="#">LC Paper No. CB(1)503/19-20(01)</a> )