

**For Discussion
on 7 June 2021**

Legislative Council Panel on Housing

**Implementation Progress and Review Results of
the Hong Kong Housing Society's
Letting Scheme for Subsidised Sale Developments with Premium Unpaid**

PURPOSE

This paper briefs Members on the implementation progress and review results of the Hong Kong Housing Society (HS)'s Letting Scheme for Subsidised Sale Developments with Premium Unpaid (Letting Scheme).

BACKGROUND

2. In support of the measures proposed by the Chief Executive in 2017 Policy Address, HS launched the Letting Scheme in September 2018 to allow owners of its subsidised sale flats (SSFs) to let their flats with premium unpaid to families in need on a pilot basis. Under the pilot scheme, HS's SSF owners who had owned their flats for 10 years or more could let individual bedroom(s) of their SSFs with premium unpaid to eligible tenants.
3. Subsequently, taking into account the views of various stakeholders and eligible participants, HS conducted a review of the pilot scheme in 2019 and decided to introduce the following enhancement measures -
 - (a) allowing eligible owners to let the entire flat, apart from individual bedroom(s), to eligible tenants;
 - (b) setting up an online platform to facilitate the matching of eligible owners and tenants; and
 - (c) allowing the letting of the entire flat to specified Non-governmental Organisations (i.e. Hong Kong Council of Social Service and its Service Operators under the scheme) for matching and sub-letting to eligible tenants.
4. The Hong Kong Housing Authority (HA) decided in July 2019 to join HS's enhanced Letting Scheme on a trial basis, so as to allow eligible owners of HA's SSFs to let their flats with premium unpaid to eligible public rental housing applicants as well. HS and HA also agreed to conduct a review of the scheme after one year of operation.

IMPLEMENTATION PROGRESS AND REVIEW

5. With HA joining the enhanced scheme in July 2019, the number of eligible SSF estates has expanded from the original 21 under HS to a combined total of around 240 estates under both HA and HS. Owners of about 15 000 SSFs under HS and about 340 000 SSFs under HA are eligible under the scheme. As at end-April 2021, around 500 applications from eligible owners and 360 applications from eligible tenants had been approved, with 64 tenancy agreements signed.

6. In order to assess the effectiveness of the enhancement measures introduced since 2019, HS has conducted a review of the enhanced Letting Scheme. The review results and analyses are set out in HS's report at **Annex**.

WAY FORWARD

7. The Letting Scheme has facilitated the efficient use of public housing resources through providing an option for eligible SSFs owners to make better use of their flats and an option for families in need of affordable rental housing. HS will continue to run the scheme and strengthen its publicity work to promote participation from eligible owners and tenants. Since HA currently participates in the Letting Scheme on a trial basis, HS will report the implementation progress and review results to the Subsidised Housing Committee of HA for its consideration on whether HA would join the scheme on a regular basis.

ADVICE SOUGHT

8. Members are invited to provide comments on this paper.

**Transport and Housing Bureau
May 2021**

Hong Kong Housing Society's Enhanced Letting Scheme for Subsidised Sale Developments with Premium Unpaid

Review Report

1. Purpose

This paper reports the implementation progress and review results of the Hong Kong Housing Society's (HS) enhanced Letting Scheme for Subsidised Sale Developments with Premium Unpaid (Letting Scheme).

2. Background

2.1 HS pilot scheme in 2018

In 2017 Policy Address, the Chief Executive proposed a series of community initiatives on social housing, which included facilitating HS to allow owners of its subsidised housing to let their flats with premium unpaid to families in need on a pilot basis.

In September 2018, HS launched the Letting Scheme on a pilot basis. Under the pilot scheme, eligible owners were HS' subsidised sale flats (SSFs) owners having owned their flats with premium unpaid for ten years or more, while eligible tenants were public rental housing (PRH) General Applicants having waited for three years or more and PRH non-elderly one-person applicants under the Quota and Points System (QPS) having waited for six years or more. Eligible owners were only allowed to let individual bedroom(s) but not the entire flats to eligible tenants.

2.2 The Hong Kong Housing Authority's participation in the enhanced Letting Scheme in 2019

In 2018 Policy Address, the Chief Executive suggested that, in the light of the operational experience of HS' 2018 pilot scheme, the Hong Kong Housing Authority (HA) should consider joining the Letting Scheme to allow owners of HA's SSFs with premium unpaid to let their flats to families in need as well. In this connection, the Subsidised Housing Committee (SHC) of HA discussed at its meeting on 29 July 2019 and endorsed HA's joining of the Letting Scheme with the following enhancements on a trial basis.

On 24 October 2019, HS announced the launch of the enhanced Letting Scheme with the following major enhancement measures: -

- (a) allowing eligible owners to let the entire flat. For flats with two or more bedrooms, owners can choose to let individual bedroom(s) or the entire flat while for flats with no or only one bedroom, owners can only let the entire flat;
- (b) setting up an HS-operated online information sharing platform (Online Platform) to facilitate the communication and tenancy transaction between eligible owners and tenants; and

(c) allowing the letting of entire flat to specified Non-governmental Organizations (NGOs) (i.e. The Hong Kong Council of Social Service (HKCSS) and its Service Operators under the scheme at the moment) for matching and sub-letting to eligible tenants awaiting PRH allocation.

HS has been accepting applications from eligible owners since 18 November 2019. Application from eligible tenants was at first a time-limited exercise lasting from 9 to 20 December 2019 and has become ongoing since 25 November 2020.

3. Review Results and Analyses

As at end-April 2021, there were around 500 and 360 successful owner and tenant applications respectively, with 64 tenancy agreements signed. (see Tables 1 to 3 in Appendix) The numbers of successful applications and tenancy agreements signed have increased substantially as compared to the response under the 2018 pilot scheme (with only six and 23 successful owner and tenant applications respectively and no successful lettings).

In order to assess the effectiveness of the enhancement measures introduced since 2019, HS has conducted a review of the enhanced scheme. The review results and analyses are set out in the following paragraphs.

3.1 Review on the effectiveness of the enhancement measures

i. HA's participation in the enhanced scheme

After HA has joined the enhanced scheme on a trial basis in July 2019, the number of eligible SSF estates has expanded from the original 21 under HS only to a combined total of around 240 estates under both HA and HS. Currently, there are about 15 000 SSFs and 340 000 SSFs under HS and HA respectively which are eligible under the enhanced scheme. As at end-April 2021, around 440 out of the around 500 successful owner applicants (i.e. around 88%) were of HA's SSFs while 60 out of 64 tenancy agreements reached (i.e. around 94%) were of HA's SSFs. (see Tables 1 and 3 in Appendix)

ii. Expanded mode of letting

The additional choice of letting the entire flat proves to be a more appealing option to both the owners and tenants, as shown by the fact that all 64 successful transactions were under the mode of leasing the entire flat instead of individual bedroom(s) (see Table 3 in Appendix). Similar situation is also observed on the Online Platform, where less than 10% of all the published owner posts offered "Individual Bedroom(s)" as the sole preferred leasing mode while none of the tenants sought "Individual Bedroom(s)" at all.

iii. Introduction of Online Platform

The introduction of Online Platform also proves to be effective in facilitating the matching between prospective owners and tenants. Over 70% and 80% of successful owner and tenant applicants had used the platform respectively. Among the 62 successful transactions (excluding the one HKCSS transaction and an intra-familial transaction), all the owners and tenants were matched via the platform.

iv. Partnership with HKCSS

Under the enhanced scheme, eligible owners are allowed to let the entire flat to specified NGOs, who are allowed to sub-let the flat to eligible PRH applicants only. As at end-April 2021, there had been one successful transaction involving HKCSS. Since the introduction of partnership with HKCSS aimed to provide an additional option to owners and tenants, and the relevant resources involved are minimal, we consider it worthwhile to make it an ongoing arrangement.

3.2 Review on other arrangements of the scheme

Since the launch of the Letting Scheme, there have been suggestions on enhancing other aspects of the scheme, such as imposing rent control and/or providing rent subsidy, stipulating a minimum living space per occupant, relaxing eligibility criteria, and collaborating with NGOs other than HKCSS, etc. In the review, we have looked into these suggestions. Our findings and analyses are summarised below.

i. Rent control and subsidy

There have been suggestions for imposing rent control or providing rent subsidy to tenants. Based on the rent level of the 64 transactions¹ and feedback from tenants, we consider that it is not necessary to do so.

The monthly rent of the 64 transactions¹ ranges from \$500 to \$15,000 (with sizes ranging from around 210 ft² to 650 ft² (i.e. around 19.5 m² to 60.4 m²)) and the median is \$8,000. As compared to the median monthly domestic households rent for private residential flats of comparable size (i.e. \$13,000 as at 2021 Q1 according to the Census and Statistics Department), the median monthly rent of \$8,000 is around 40% below \$13,000. In fact, 63 out of 64 (i.e. around 98%) transactions¹ were at or below \$13,000. (see Table 4 in Appendix)

HS successfully interviewed 35 tenants out of the 64 who have rented SSFs under the enhanced scheme. Out of the 35 tenant respondents, 22 previously occupied the entire flats in private market, among which around 70% of them indicated that they enjoyed fairly the same or lower rent under the enhanced scheme, with savings ranging from around 4% to 52%. Although the remaining 30% are paying higher rents than before, they have chosen to do so for enjoying more spacious living environment.

The above has shown that the rents paid by tenants are affordable to them while acceptable to owners. If overly restrictive measures are imposed over rent negotiation, prospective owners will likely be deterred from participation, which would hamper the effectiveness of the enhanced scheme. Hence, we believe that it would be better to continue to allow owners and tenants to agree at the appropriate rent level.

ii. Living conditions

A majority of tenant respondents (i.e. around 80%) agreed that the enhanced scheme helped improve their living conditions. These improvements include better public transport, more peripheral facilities, increase in living space, and better community or environment. In fact, 13 out of the 35 tenant respondents (i.e. around 40%) who successfully rented their flats via the enhanced scheme

¹ An outlier transaction that is significantly below market rate (i.e. \$500 per month) is included in this figure.

resided in subdivided units (SDUs) previously, and some of them had to share bathrooms and kitchens with other housemates. The enhanced scheme has provided them considerable improvement in terms of living conditions, security and stability of tenancies.

Among the various improvements brought to the tenants by the enhanced scheme, increase in living space is the most frequently quoted by the tenant respondents. Around 70% of the respondents indicated that the living space for their families has increased, with more than half achieving at least a 40% increase. According to the record, among the successful transactions, the median living space per capita is around 146 ft² (i.e. around 13.6 m²), with about 90% of the households enjoying over 100 ft² (i.e. around 9.3 m²) per capita.

Comparatively speaking, the median living space per capita under the enhanced scheme (i.e. around 13.6 m²) is much higher than that of SDUs in Hong Kong² (i.e. 6.6 m²) and comparable to the average living space per capita in HA's PRH units (i.e. 13.5 m² as at end-2020³). Based on the above statistics, we can see that tenants are adequately housed under the enhanced scheme, and it is therefore not necessary to set a minimum living space requirement.

iii. Eligibility criteria

Under the enhanced scheme, SSF owners having owned their flats for ten years or more are eligible to apply. As at end-April 2021, HS had received around 610 applications from owners (see Table 1 in Appendix). The current requirement has balanced the need to prevent speculative activities and prevent SSF owners from making monetary gains within a short period of time on the one hand; and optimising the use of existing idle public housing resources on the other. Hence, we will continue to maintain this requirement.

As for tenants, PRH General Applicants having waited for three years or more and PRH non-elderly one-person applicants under the QPS having waited for six years or more are eligible to apply. As at end-April 2021, HS had received around 1 090 tenant applications (see Table 2 in Appendix). Given HA's target is to provide the first flat offer to PRH General Applicants at around three years on average, it is reasonable that the eligibility threshold for the General Applicants remains at three years. As for non-elderly one-person PRH applicants, it is most likely that those who have waited for six years or more have gone through at least one regular eligibility checking to ensure their PRH applications are still valid. Therefore, we consider it appropriate to maintain this requirement.

iv. Collaboration with more NGOs

As mentioned in section 3.1(iv), the introduction of partnership with NGOs provides an additional option to owners and tenants. Given that there had just been one successful transaction via HKCSS so far, we do not consider it necessary to expand the collaboration with NGOs beyond HKCSS and its Service Operators at the moment.

² Based on the survey commissioned by the Task Force for the Study on Tenancy Control of Subdivided Units in 2020.

³ Based on HA's administrative record.

4. Way Forward

While HS will continue to run the enhanced scheme, since HA currently participates in the Letting Scheme on a trial basis as endorsed by HA in July 2019, HS will also report the implementation progress and review results to HA for consideration to continue joining the scheme **on a regular basis**.

Meanwhile, we have been planning to step up our publicity effort to raise awareness of the Letting Scheme among eligible owners and tenants. We will continue to strengthen our publicity work which includes a more intensive distribution of promotional materials and a stronger online presence.

May 2021

Hong Kong Housing Society

**Key Figures of the Letting Scheme for
Subsidised Sale Developments with Premium Unpaid**

All figures listed below, unless otherwise specified, are as at end-April 2021.

Table 1. Summary of Owner Applications

	Hong Kong Housing Society (HS) Subsidised Sale Flats (SSFs)	Hong Kong Housing Authority (HA) SSFs	Total
Applications received	69 [11%]	538 [89%]	607 [100%]
Applications Rejected/withdrawn ^(Note 1)	7 [12%]	50 [88%]	57 [100%]
Applications approved	58 [12%]	439 [88%]	497 [100%]

Table 2. Summary of Tenant Applications

	General Applicants	Non-elderly One-person Household under the Quota and Points System	Total
Applications received	961 [88%]	127 [12%]	1 088 [100%]
Applications Rejected/withdrawn ^(Note 1)	564 [89%]	68 [11%]	632 [100%]
Applications approved	307 [86%]	52 [14%]	359 [100%]

(Note 1) Applications that were not rejected/withdrawn/approved were in progress, including some applications where the applicants had yet to submit supporting documents/meet up with HS in person to process the applications as requested.

Table 3. Summary of Successful Tenancy Transactions

	Entire flat	Bedroom(s)	Total
HA	60 [94%]	0 [n/a]	60 [94%]
HS	4 [6%]	0 [n/a]	4 [6%]
Total	64 [100%]	0 [n/a]	64 [100%]

Table 4. Summary of Transaction Details

Transaction Details	Range	Median	Remarks
Monthly Rent (Note 2)	\$500-\$15,000	\$8,000	Median monthly domestic household rent for private residential flats of comparable size: \$13,000 (Note 3)
Floor Area	210 to 650 ft ² (i.e. around 19.5 to 60.4 m ²)	430 ft ² (i.e. around 40.0 m ²)	/
Living Space per capita	60 to 495 ft ² (i.e. around 5.6 to 46.0 m ²)	146 ft ² (i.e. around 13.6 m ²)	<ul style="list-style-type: none"> ● Median living space per capita of subdivided units in Hong Kong: 6.6 m² (Note 4) ● Average living space per capita in HA's PRH units (as at end-2020): 13.5 m² (Note 5)

(Note 2) All prices are rent-only as utility charges are not included.

(Note 3) As at 2021 Q1 according to the Census and Statistics Department.

(Note 4) Based on the survey commissioned by the Task Force for the Study on Tenancy Control of Subdivided Units in 2020.

(Note 5) Based on HA's administrative record.