

LCQ12: Letting Scheme for Subsidised Sale Developments with Premium Unpaid

Following is a question by the Hon Ho Kai-ming and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (November 6):

Question:

In September last year, the Hong Kong Housing Society (HKHS) launched the Letting Scheme for Subsidised Sale Developments with Premium Unpaid (Letting Scheme), under which eligible owners of HKHS's subsidised sale flats (SSFs) are allowed to let their flats with premium unpaid to families in need. In July this year, the Hong Kong Housing Authority (HA) decided to join the Letting Scheme on a trial basis, and intended to invite applications starting from the fourth quarter of this year from eligible owners of HA's SSFs for letting their flats with premium unpaid. In this connection, will the Government inform this Council:

- (1) whether it knows the tenancy position of HKHS's SSFs since the launch of the Letting Scheme;
- (2) of the progress of HA's work related to its participation in the Letting Scheme, and the anticipated number of applications to be received in the first 12 months;
- (3) whether it has assessed the impacts of the implementation of the Letting Scheme on the rental market for subsidised housing (including the supply of flats and levels of rents);
- (4) whether it has measures to enhance the attractiveness of the Letting Scheme (e.g. waiving government rent and rates or providing repair support) in order to encourage more owners to join the Scheme;
- (5) given that at present the authorities, in assessing the rateable value of residential flats, will make reference to the open market rents agreed at or around the date of valuation for similar properties in the locality, whether the authorities will take into consideration the rents of the flats let under the Letting Scheme in assessing the rateable value of residential flats in future; if so, of the details; if not, the reasons for that; and
- (6) as it is estimated that the number of eligible flats under the Letting Scheme exceeds 350 000, whether the authorities have studied the impacts of the implementation of the Letting Scheme on the overall rent level and rateable value of residential flats in Hong Kong?

Reply:

President,

Our reply to Hon Ho Kai-ming's question is as follows:

(1) and (2) According to the Hong Kong Housing Society (HS), it launched the "Letting Scheme for Subsidised Sale Developments with Premium Unpaid" (Letting Scheme) in September 2018 on a pilot basis, allowing eligible owners of its subsidised sale flats (SSFs) to let part of their flats to eligible public rental housing (PRH) applicants. Since the launch of the Letting Scheme, the HS has received applications from 13 owners, six of which were issued "Eligible-to-Let Certificate"; and applications from 53 tenants, 19 of which were issued "Eligible-to-Rent Certificate". No tenancy agreement has been signed yet. After conducting an online survey and taking into account views from Legislative Council members, concern groups, academics, property agents and the media, the HS has formulated enhancement measures for the Letting Scheme, which include allowing owners to let the whole flat and to let the whole flat to specified non-governmental organisations, which will in turn sub-let the flat to eligible PRH applicants.

In July this year, the Hong Kong Housing Authority (HA) decided to join the HS' enhanced Letting Scheme on a trial basis, allowing eligible owners of HA's SSFs to let their flats with premium unpaid to eligible PRH applicants as well. Currently, there are around 340 000 HA owners who have owned their flats with premium unpaid for ten years or more.

The enhanced Letting Scheme will open for applications by eligible owners and tenants from November 18, 2019 and December 2019 respectively. The HA has not estimated the number of owners and tenants who will participate in the Letting Scheme. The HA and HS will conduct a mid-term review of the effectiveness of the Letting Scheme in the light of operational experiences after one year of operation.

(3) and (6) The Letting Scheme allows eligible SSF owners to let their flats with premium unpaid, which may increase the potential supply of SSFs in the rental market. However, whether the actual supply will increase, and the extent of increase if any, will depend on the number of owners that participate in the Letting Scheme eventually.

The rental levels of individual SSF estates and the overall rental market are affected by a number of factors, including the overall supply and demand in the rental market, the economic environment and affordability of the tenants. Therefore, at the moment, it will be difficult to assess how the launch of the enhanced Letting Scheme may impact on the rental levels of SSFs and Hong Kong's overall residential market as well as the rateable values.

(4) The Letting Scheme aims to provide an option to owners who have idle space and wish to make better use of their SSFs to let their flats, and at the same time help alleviate the housing difficulties faced by eligible PRH applicants. Under the Letting Scheme, some of the alienation restrictions of the flats concerned are lifted to allow owners to let their flats with premium unpaid. We believe that this arrangement is conducive to attracting

owners to let their idle space or flats.

(5) Rateable value is an estimated annual rental value at which the property might reasonably be expected to let in the open market at the designated valuation reference date on the assumption that the property was then vacant and to let. In assessing the rateable value, the Rating and Valuation Department (RVD) makes reference to open market rents agreed at or around the valuation date for the same or similar types of properties.

As the owners and tenants who participate in the Letting Scheme are subject to certain restrictions, the RVD will duly analyse and study the rental information collected when assessing rateable values of the properties.