

LCQ12: Rents of newly built public rental housing flats

Following is a question by the Hon Kwok Wai-keung and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (October 23):

Question:

In implementing projects to redevelop public rental housing (PRH) estates, the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS) will arrange for rehousing affected tenants to newly built PRH flats in the same district. Quite a number of such tenants have relayed to me that the rents of the new flats are much higher than the rents they used to pay (e.g. the rents of the newly built flats at HKHS's Ming Wah Building in Shau Kei Wan being two times higher than those of the old flats), which has posed a heavy financial burden on them (especially the elderly tenants). In this connection, will the Government inform this Council whether it knows:

- (1) of the "District Best Rent Level" of each of the six broad districts under HA, and their rates of changes, in each of the past five years;
- (2) of the factors considered by HA in fixing the rents of newly built PRH flats, and whether such factors include the affordability of tenants; the respective percentages of rates, management fees and maintenance costs in the rents of the new PRH flats in general;
- (3) of the factors considered by HKHS in fixing the rents of newly built PRH flats, and whether such factors include the construction costs, recurrent management expenses, and affordability of tenants; if so, of the respective weightings of such factors;
- (4) of the respective numbers of tenants who benefited from the rent assistance schemes under HA and HKHS in the past five years, and among such tenants, the respective numbers and percentages of those who had been affected by redevelopment projects and rehoused to newly built PRH flats for less than two years;
- (5) whether HA and HKHS will (i) review the mechanisms for fixing the rents of newly built PRH flats and enhance the transparency of such mechanisms, (ii) provide those tenants affected by redevelopment projects with a longer period of rent waiver, and (iii) set aside more non-newly built PRH flats whose rents are lower for rehousing tenants who cannot afford the high rents; and
- (6) given that HA has indicated early this year that it planned to launch a concessionary initiative to offer lifetime full rent exemption to under-occupation households whose family members are all elderly persons (i.e. aged

70) upon their voluntary relocation to smaller flats, of the progress of the relevant work; whether HA will accord priority to the applications from eligible tenants affected by redevelopment projects?

Reply:

President,

My consolidated reply to Hon Kwok Wai-keung's question is as follows:

It has been a long-standing policy for the Hong Kong Housing Authority (HA) to set Public Rental Housing (PRH) rents at a reasonable and affordable level for our tenants. Pursuant to section 16A of the Housing Ordinance, HA shall conduct PRH rent review every two years and adjust the rent based on the change in the income index between the first and second periods (Note) covered by the review. If HA accepts that the income index for the second period is higher than that of the first period by more than 0.1 per cent, HA shall increase the PRH rent by the same rate of increase of the income index or 10 per cent, whichever the less. If the income index for the second period is lower than that of the first period by more than 0.1 per cent, HA shall reduce the PRH rent by the same rate of decrease in the income index, and the reduction has no limit. This mechanism provides an objective basis for HA to determine the level of adjustment of PRH rent according to the tenants' affordability. The consideration factors do not involve the rates, management fee and maintenance costs.

As regards the rents of residential flats in newly completed PRH estates, they are fixed according to the District Best Rent Levels (DBRLs) of respective districts under HA. According to the prevailing mechanism, DBRLs are adjusted following the same rate of adjustment determined by the above biennial PRH rent review. HA has no plan to review the mechanism concerned. According to the results of the last three rent review exercises, DBRLs were increased by 10 per cent subsequent to each rent review exercise. Information on DBRLs of each district in the past five years are at Annex I.

Under the Rent Assistance Scheme (RAS), HA grants relief to PRH tenants (including those affected by redevelopment/clearance) who have temporary financial hardship which makes them unable to afford the rent. Eligible tenants under RAS are granted either 25 per cent or 50 per cent rent reduction. HA will review the eligibility of the RAS beneficiaries biennially. If RAS beneficiaries have received rent assistance for four consecutive years and still need assistance, they are required to move to flats with lower rent, if available. Besides, for tenants who are affected by redevelopment/clearance projects, HA will provide them with reception estates. Subject to the availability of suitable PRH flats, affected tenants can also choose to move to other PRH flats in any district earlier. HA has no plan to change the existing practice. In the past five years, the numbers of households participating in HA's RAS are at Annex II. HA does not keep relevant records of the number of RAS beneficiaries who were affected by redevelopment/clearance projects.

HA's Subsidised Housing Committee approved the implementation of a trial scheme on June 21, 2019 to allow under-occupation households whose family members are all aged 70 or above to transfer to PRH units of suitable sizes voluntarily and enjoy full rent exemption. The trial scheme, which will last for one year, will be implemented by the end of 2019. Implementation details of the scheme for redevelopment/ clearance projects will be announced separately.

Regarding the Hong Kong Housing Society (HKHS), as a self-financing non-profit-making organisation, they have to break even in the development and management of its rental estates to achieve sustainability. HKHS' main consideration in fixing rents of its newly built rental units is the building and operating costs of estates, and having an overall regard to the following factors: rental income must be sufficient to cover the daily management expenses, tenancy administration cost, Government rent, and the tenants' affordability, etc.

In fixing rents of its newly built rental units in future, HKHS will continue to strive for a balance among various factors, including tenants' affordability and operation costs of estates, and will maintain communication with related stakeholders. On the other hand, HKHS has been providing appropriate assistance for tenants with financial difficulty. HKHS has introduced the Rent Assistance Scheme since September 1, 2018, which allows tenants with short-term financial difficulty to apply for 50 per cent rent reduction. HKHS will review the eligibility of relevant tenants biennially to determine if the rent assistance should continue to be granted. As at September 2019, a total of 534 tenants have been granted rent assistance. There is no rent assistance case from tenants who had been affected by redevelopment and rehoused to newly built rental units. Tenants with long-term financial difficulty can apply for transfer to other estates under HKHS with lower rent.

Tenants affected by Ming Wah Dai Ha (MWDH) Redevelopment Phase 2 will receive 20 per cent rent reduction in the first year after rehousing to newly built units of MWDH Redevelopment Phase 1. If in need, they may also choose to transfer to MWDH Blocks A to E or other estates under HKHS, both with lower rent.

Note: Taking the 2018 PRH rent review for example, the first period for the purpose of computing the income index is the 12 months in 2015, while the second period is the 12 months in 2017.