

## LCQ5: Rent adjustment for public rental housing

Following is a question by the Hon Luk Chung-hung and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 24):

Question:

Under the prevailing rent adjustment mechanism for public rental housing (PRH), PRH rent is reviewed once every two years and adjusted according to changes in tenants' household income. It has been reported that the Hong Kong Housing Authority (HA) is currently conducting such a review and, based on the calculation using the data obtained therefrom, PRH rent has to be increased by 9 per cent this year. There are comments that as the review takes into account the income data up to the end of last year only, the review outcome cannot reflect the situation that tenants' income has dwindled due to the economic downturn in recent months. In this connection, will the Government inform this Council:

- (1) whether it has assessed the impacts on the tenants and the consumption sentiments in society which will be brought about by the HA's increasing PRH rent pursuant to the mechanism, albeit the economic downturn; if so, of the details; if not, the reasons for that;
- (2) whether the HA will consider offsetting the increase in PRH rent for the current year by granting additional rent waiver, so as to alleviate the financial burden on tenants; and
- (3) whether the HA will review afresh the PRH rent adjustment mechanism to rectify the deficiency of the mechanism that time-lagged data is used?

Reply:

President,

It has been a long-established policy for the Hong Kong Housing Authority (HA) to set the rent of public rental housing (PRH) at reasonable and affordable levels.

We note that there have been extensive discussions in the community on the PRH rent review this year. We have just issued an information paper to the Legislative Council (LegCo)'s Panel on Housing yesterday on the outcome of the 2020 PRH rent review and will further brief the LegCo's Panel on Housing and listen to Members' views at its meeting on July 6.

The existing PRH rent adjustment mechanism is stipulated under section 16A of the Housing Ordinance which came into effect on January 1, 2008, and

the HA shall adjust the PRH rent in strict accordance with the relevant mechanism. According to the above provision, the HA shall conduct a rent review every two years and adjust the PRH rent as soon as practicable. The HA shall adjust the rent based on the change in the income index between the first and second periods covered by the review. The income index is compiled by the Commissioner for Census and Statistics. Depending on the change in the income index between the first and second periods, the rent can be increased or reduced: there is a 10 per cent cap in the case of rent increase, while there is no lower limit in the case of rent reduction.

The current PRH rent adjustment mechanism is the outcome of the HA's extensive discussions and public consultation over five years (from 2001 to 2006), and was established through legislation. The mechanism provides an objective basis for the HA to determine when PRH rent should be adjusted and by how much, taking into account tenants' affordability. It also helps promote the long-term sustainability of the PRH programme. In fact, owing to the 10 per cent cap on rent increase under the existing rent adjustment mechanism, the cumulative increase in household income of PRH tenants has far exceeded the cumulative increase in PRH rent. The income of PRH tenants has increased by 106.2 per cent over the 12-year period from 2007 to 2019; but the PRH rent has increased by 68.1 per cent cumulatively over the same period. Currently, the ratio of average PRH rent to the average household income of PRH tenants is about 9 per cent.

While the HA must adjust PRH rent in accordance with the said established mechanism, the legislation also allows room for HA to provide rent waiver to PRH tenants when necessary. According to section 17 of the Housing Ordinance, the HA may remit tenants' rent for such period as it thinks fit. In fact, for the PRH rent reviews conducted according to the existing PRH rent adjustment mechanism since 2010, the HA's Subsidised Housing Committee granted one-month rent waiver to PRH tenants in the 2010 and 2012 rent reviews respectively to alleviate tenants' financial burden due to the rent adjustment in view of the prevailing economic environment.

In view of the tough economic environment, the Government has allocated funding to the HA twice to pay rent for lower income PRH tenants for a total of two months. One payment was granted in January 2020 as one of the Financial Secretary's helping measures announced in 2019; and the other payment is to be granted in July 2020 as a relief measure under the 2020-21 Budget. This shows that in addition to the rent waiver provided by the HA under section 17 of the Housing Ordinance, the Government also provides rent assistance to PRH tenants from time to time in view of special social circumstances.

Besides, the HA has further put in place a short-term relief measure in May 2020. Upon receiving applications from tenants who cannot settle their rent payments on time due to financial hardship, the HA will consider withholding the issuance of Notice-to-Quit (NTQ) to such tenants from May to October 2020. The HA has also put in place an established mechanism to provide rent assistance to tenants with temporary financial difficulties.

According to the PRH rent adjustment mechanism, the rent adjustment for the 2020 rent review is +9.66 per cent. The global and local economic environment is worsening and the economic outlook is becoming more uncertain amid the Covid-19 pandemic. Under the current economic situation, we understand that there have been calls for the HA to consider shelving the current rent review, freezing the rent, or providing rent waiver to PRH tenants so as to ease their financial burden.

At the later stage of the PRH rent review, when we were aware of the review outcome which shows that the PRH rent will have to be adjusted upwards according to the mechanism, my team and I have been considering appropriate measures to alleviate the financial burden of the rent adjustment on PRH tenants. Upon repeated deliberations, to strike a balance between the PRH tenants' affordability and the healthy and sustainable development of the HA's finance, we have decided to recommend the HA's Subsidised Housing Committee to provide a rent waiver of two months, so as to offset the financial burden of rent adjustment on PRH tenants. This arrangement will result in a total deficit of about \$2,500 million for the HA in the current and the next financial years.

President, in view of the impact of the pandemic on the overall socio-economic environment and PRH tenants, the above arrangement is a carefully considered special measure to assist PRH tenants in alleviating their financial difficulties in a timely manner. I will personally invite Subsidised Housing Committee members to actively consider and accept the above arrangement and formulate relevant implementation details.

Thank you, President.