

**Memorandum for the Commercial Properties Committee of
the Hong Kong Housing Authority**

Review of Concessionary Rent for Welfare Premises

PURPOSE

This paper seeks Members' approval to adjust the concessionary rent for welfare premises in Housing Authority (HA)'s properties from \$59/m² to \$62/m² per month for the period from 1 April 2022 to 31 March 2025.

RECOMMENDATION

2. We recommend Members to *approve* –
 - (a) the proposal to adjust the concessionary rent for welfare premises in HA's properties from \$59/m² to \$62/m² per month for the three-year cycle up to 31 March 2025 (**paragraph 5**); and
 - (b) the declassification of this paper (**paragraph 9**).

BACKGROUND

3. Starting from 1 April 1983, concessionary rent has been charged for the leasing of welfare premises in HA's properties to eligible non-government organisations (NGOs) providing direct services of welfare or community nature to residents in public housing estates. The concessionary rent is subject to review every three years. Currently, there are a total of some 1 480 welfare tenancies subject to concessionary rent, including about 960 tenancies subsidised by the Government through subvention and about 520 tenancies under self-financing arrangements by NGOs.

4. The concessionary rent is set at a uniform rate irrespective of location, orientation or other market factors and at a level generally adequate to cover the management and maintenance as well as other recurrent expenses for the welfare premises on average. It has been an established arrangement to review the concessionary rent for welfare premises with reference to the movement of Consumer Price Index (A) (CPI(A)). In the last review in December 2018 (Paper No. CPC 37/2018), Members approved an increase in the concessionary rent from \$55/m² to \$59/m² per month exclusive of rates and government rent (if any) for the period from 1 April 2019 to 31 March 2022. The next triennial review is due on 1 April 2022.

REVIEW

5. Based on the established adjustment mechanism, we have made reference to the movement of CPI(A) ^{Note 1} and *propose* to adjust the concessionary rent from \$59/m² to 62/m² per month exclusive of rates and government rent (if any) for the three-year cycle up to 31 March 2025. This represents an increase of 5.1% or about \$1,100 per month ^{Note 2} on average in the concessionary rent for each welfare premises. The proposed adjustment of the concessionary rent is considered moderate ^{Note 3} and should be acceptable to stakeholders of the welfare sector.

FINANCIAL IMPLICATIONS

6. The concessionary rent currently receivable from welfare lettings is around \$32.08M per month. If the concessionary rent is increased from \$59/m² to \$62/m² per month, the increase in revenue would be around \$1.6M per month.

Note 1 The subject review is based on the movement of CPI(A) from August 2018 to August 2021, during which the index has increased from 97.2 to 102.9, representing an increase of 5.9 %.

Note 2 Excluding those areas which are subject to domestic rent in some of the welfare premises such as Hostel for the Elderly, the average size of welfare premises subject to concessionary rent is about 367m².

Note 3 The revised concessionary rent at \$62/m² per month is equivalent to about 35% of the existing average market rent of government lettings at \$179/m² per month.

INFORMATION TECHNOLOGY (IT) AND STAFFING IMPLICATIONS

7. There is no IT implication arising from the proposal. The relevant workload arising from the proposed adjustment will be absorbed by existing staff.

PUBLIC REACTION/PUBLICITY

8. We expect that the adjustment of \$3/m² per month or 5.1% over the existing rate of \$59/m² per month will not cause undue hardship to majority of the NGOs, bearing in mind that some 65% of these lettings are subsidised by the Government through subvention. For self-financing NGOs, we would emphasise that the increase is based on the established adjustment mechanism and the new rent is still far below the market rent of the premises. NGOs and Government departments concerned will be individually notified upon Members' approval of the proposal.

DECLASSIFICATION

9. It is recommended that this paper be declassified upon Members' approval of the proposal. Upon declassification, the paper will be made available to the public in the Housing Department (HD)'s library, at HA/HD website and through the Departmental Access to Information Officer.

PRESUMPTION

10. If no objection or request for discussion is received **by noon on 23 March 2022**, Members' approval of the recommendations in **paragraph 2** above will be presumed and appropriate follow-up actions will be taken accordingly.

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