

**Memorandum for the Subsidised Housing Committee of
the Hong Kong Housing Authority**

**Review of Income and Asset Limits for Public Rental Housing for 2023/24 –
Views Expressed by Members of the Legislative Council Panel on Housing
at the Meeting on 6 March 2023
and the Department’s Proposed Response**

PURPOSE

This paper reports the views expressed by Members of the Legislative Council Panel on Housing (Panel on Housing) on the review of the income and asset limits for public rental housing (PRH) for 2023/24 and sets out the Department’s proposed response to such views.

BACKGROUND

2. The Hong Kong Housing Authority (HA)’s Subsidised Housing Committee (SHC) considers the PRH income and asset limits in March every year. Results of the review of PRH income and asset limits for 2023/24 are set out in Paper No. SHC 3/2023. As per established practice, we briefed the Panel on Housing on the review findings on 6 March 2023. Their views and suggestions are hereby submitted for SHC’s consideration.

**VIEWS OF THE LEGCO PANEL ON HOUSING AND THE
DEPARTMENT’S PROPOSED RESPONSE**

3. At the meeting, Members of the Panel on Housing generally agreed with the recommendations as set out in Paper No. SHC 3/2023, i.e. to freeze the income limits for 1-person to 5-person households at the existing (2022/23) levels, while increasing the income limits for households with 6 persons and above in accordance with the established mechanism; and to increase the PRH asset limits in accordance with the established mechanism for all household sizes. Other

views expressed by LegCo Members and the Department's proposed response are
----- set out at **Annex**.

INFORMATION

4. This paper is issued for Members' information when considering Paper No. SHC 3/2023.

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**Views Expressed by Members of the Legislative Council (LegCo)
Panel on Housing at the Meeting on 6 March 2023
and the Department's Proposed Response**

Views Expressed by Members of the LegCo Panel on Housing on the Review Findings	The Department's Proposed Response
<p>1. The income limits as calculated according to the existing review mechanism is too low and cannot realistically reflect the household expenditure of the PRH applicants. Taking the example of a two-person household where both are working and earning statutory minimum wage (SMW), their monthly income would have already exceeded the proposed PRH income limit for two-person households (i.e. \$19,550 excluding the contribution under Mandatory Provident Fund (MPF); \$20,579 after taking into account the MPF contribution).</p> <p>In order to meet the PRH income limit criterion, some PRH applicants might choose to give up the opportunities of getting jobs, higher income or promotion. In this regard, some LegCo Members suggested that HA should make flexible arrangements when reviewing the PRH income limits so as to provide sufficient buffer for PRH applicants.</p>	<ul style="list-style-type: none">● Given the limited PRH resources, we need to formulate a set of objective criteria to identify the low-income people who are eligible for PRH. There will always be households whose income marginally exceeds the income limits regardless of the level of income limits. If we are to deviate from the existing methodology and lift the PRH income limits in order to cover families earning SMW, it will not be fair to others. We will also be unable to focus the limited and precious PRH resources on families with the most pressing needs.● SMW only stipulates the lowest hourly wage. The actual income earned by individual households depends on the number of working members, their number of working hours and working days. Hence, it cannot be generalised. Based on the results of the Census and Statistical Department (C&SD)'s General Household Survey as at the fourth quarter of 2022 alone, some 155 200 non-owner occupier households living in private housing (30.5% of the total number of non-owner occupier households living in private housing) could meet the proposed income limits.● HA's Subsidised Housing Committee (SHC) reviews the adjustment mechanism of PRH income limits from time to time and makes adjustment where necessary. For example, in view of the public concern about the impact of the implementation of SMW, SHC reviewed the mechanism for adjusting the PRH income limits and decided in February

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	<p>2013 to introduce the change in nominal wage index (which covers occupational groups at non-managerial/professional levels, e.g. technical, clerical, service workers and craftsmen) as the income factor to reflect changes in income in a timely manner. Therefore, since 2013/14, the non-housing costs have been determined with reference to the latest Housing Expenditure Survey results conducted by C&SD; and are adjusted according to the latest movement in the Consumer Price Index (CPI)(A)(excluding housing costs), or the change in the nominal wage index, whichever is higher.</p> <ul style="list-style-type: none">● For reference, since the implementation of SMW in 2011 to 2021, the cumulative increase in SMW was 34%, while that in nominal wage index was 41% and the cumulative increase in PRH income limits was 68%. The above data shows that the existing PRH income limit adjustment formula already includes an element that reflects the changes in SMW.● According to the existing mechanism, the income limits for 1-person to 5- person households should be adjusted downwards and some families who can meet the income limit criterion originally will become ineligible for applying PRH. Considering that the local economy is still recovering from the impact brought about by the unprecedented COVID-19 pandemic, we propose to freeze the income limits for 1-person to 5- person households in order to provide them with some additional buffer.

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<p>2. It is suggested to review the eligibility of PRH applicants who are currently waiting for PRH and cancel those applications which no longer meet the eligibility criteria, so as to shorten the waiting list for PRH.</p>	<ul style="list-style-type: none">● According to Item 3.2.3 of the Application Guide for Public Rental Housing, from the date of signing the PRH application form to the date of entering into the new tenancy agreement for PRH flat allocated in consequence of the application, if the applicant and/or his/her family member(s) has/have purchased/owned any domestic properties in Hong Kong, or if the total monthly household income and/or total household net asset value has/have exceeded the prevailing income and/or net asset limit(s), etc, the applicant and/or his/her family member(s) must notify the Housing Department (HD) immediately for cancellation of the application. HD will also cancel the application upon detection.● At its meeting on 14 October 2014, SHC endorsed the refinement of the Quota and Points System (QPS). The refinements included, among others, conducting checking on the eligibility of QPS applicants. Regular checking would be conducted on those non-elderly one-person applicants under QPS who have waited for five years but are not yet due for detailed vetting within the next two years, so as to cancel those applications which are no longer eligible for PRH allocation. The purpose of the regular checking is to review whether the eligibility of PRH applications has been affected by the changes in their family status, income and assets, so as to help us grasp the actual situation of non-elderly one-person applicants and assess their actual PRH demand.● As for PRH general applicants (i.e. family and elderly one-person applicants) on the queue, HA also conducts random checks at different stages of application and upon

<p style="text-align: center;">Views Expressed by Members of the LegCo Panel on Housing on the Review Findings</p>	<p style="text-align: center;">The Department’s Proposed Response</p>
	<p>receipt of reports of PRH applications involving suspected concealment or misrepresentation of information (including income, assets or family status, etc.), and also carries out detailed investigations into those cases with reasonable suspicion.</p> <ul style="list-style-type: none"> ● To ensure that valuable PRH resources are used to assist those with genuine needs, HA reviews relevant policies and measures from time to time, including the eligibility criteria and vetting mechanism.
<p>3. Under the existing Home Ownership Scheme (HOS)/Green Form Subsidised Home Ownership Scheme (GSH) policy, the fact that HA does not conduct checking on whether the Green Form applicants own any property in Hong Kong has created a loophole. It is recommended that a comprehensive review of the mechanism be conducted.</p> <p>On the other hand, some LegCo Members suggested that when reviewing the above-mentioned issues, HA should avoid deviating from the original policy intent to encourage speeding up the turnover of PRH units. At the same time, HA should also carefully consider the effectiveness of revising the existing policy and the staff resources to be required.</p>	<ul style="list-style-type: none"> ● According to the prevailing policy, there is no restriction for existing PRH tenants (as Green Form Applicants) on the income and asset limits and property ownership when applying for HOS/GSH flats. However, all family members are required to undertake that they will return the PRH flat upon purchase of the HOS/GSH flat. The relevant arrangement aims to encourage PRH tenants who can afford to buy subsidised sale flats (SSFs) to release their PRH flats for PRH applicants with more pressing housing needs, so as to speed up the turnover of PRH flats and utilise the public housing resources more efficiently. ● Under the “Well-off Tenants Policies”, PRH tenants who have been living in PRH for ten years are required to declare their income and assets biennially, and whether they have any domestic property ownership in Hong Kong. Households with less than ten years’ residence in PRH do not need to make any declaration. However, if HD finds that they have domestic property ownership in Hong Kong upon receipt of complaints or from other sources, the tenants will be required to vacate their PRH flats, irrespective of their length of residence in PRH.

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	<ul style="list-style-type: none">● In response to the public housing demand and suggestions of different stakeholders, we will review and consider how to tighten the relevant arrangements with a view to ensuring proper use of public housing.
<p>4. Currently, there is structural problem in Hong Kong's housing ladders and PRH tenants do not have sufficient housing ladders for upward mobility, which indirectly leads to low turnover rate of PRH flats.</p>	<ul style="list-style-type: none">● The Government announced in the 2022 Policy Address key strategies and objectives to enhance quantity, speed, efficiency and quality of public housing supply in full steam and to shorten the waiting time for public housing. Based on the latest projection of the Long Term Housing Strategy Annual Progress Report 2022, the projected total housing supply target for the ten-year period from 2023-24 to 2032-33 is 430 000 units.● Balancing the Government's commitment to increase public housing supply substantially to meet the community's demand and the demand for private housing, the Government maintained the public/private split ratio of 70:30 for the next ten-year period from 2023-24 to 2032-33. Accordingly, out of the total housing supply target of 430 000 units, the public housing supply target will be 301 000 units and the private housing supply target will be 129 000 units.● For public housing supply, as demand for all types of public housing remains strong, the Government maintains the ratio between PRH/GSH and other SSFs at 70:30 for the 10-year period from 2023-24 to 2032-33. Correspondingly, the public housing supply target of 301 000 units will comprise 210 000 units for PRH/GSH and 91 000 units for other SSFs.● As announced in the 2022 Policy Address and the Long Term Housing Strategy Annual Progress Report 2022, the Government has

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	<p>identified sufficient land for providing about 360 000 public housing units in the coming 10-year period from 2023-24 to 2032-33, which can meet the estimated public housing demand of 301 000 units. As for private housing, the Government will continue to spare no efforts in creating sufficient land to meet the private housing supply target for the same ten-year period.</p> <ul style="list-style-type: none">● With the overall housing supply continuing to increase in the future, it is anticipated that we will be able to provide more adequate and affordable housing to families in different income brackets to enable them to have comfortable homes and improve their living environment, so as to speed up the turnover of PRH flats.