

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

Rent Fixing for New Public Rental Housing Estates

PURPOSE

This paper is to seek Members' approval for fixing the rents of the domestic flats in two new public rental housing (PRH) estates, viz. On Tai Estate (Anderson Road Sites A & C1) and Yan Tin Estate (Tuen Mun Area 54 Site 2, Phases 1 & 2), which are scheduled for completion tentatively between January and June 2017.

BACKGROUND

2. For the purpose of rent setting of domestic flats, the territory is divided into six broad districts. The rents of domestic flats in newly completed PRH estates are fixed according to the District Best Rent Levels (DBRLs) of respective districts in terms of dollars per m² of Internal Floor Area (IFA). The DBRLs are determined with reference to the location and comparable value of the estates concerned. Given the staggered completion of new estates, the Housing Authority (HA) approved vide Paper No. HA 56/2006 that the arrangement of conducting two rent fixing exercises each year to determine the rents of domestic flats in newly completed estates should be maintained to make available a rent schedule prior to intake of tenants. The current DBRLs, which were endorsed vide Paper No. SHC 40/2016 in September 2016, are shown at
----- **Annex A.**

PARTICULARS OF FLATS INVOLVED

3. This rent fixing exercise involves 7 548 domestic flats built at rental flat standard in nine Non-standard Blocks. The particulars of the flats
----- are detailed at **Annex B.**

PROPOSED RENT LEVELS

4. We propose that the rents for the 7 548 flats in these two new PRH estates should be fixed in accordance with the current DBRLs. A summary of the proposed inclusive rents and the distribution of flats and rents are shown at **Annexes C and D** respectively.

PROJECTED OPERATING COST

5. The average projected operating cost which includes rates, management fee, maintenance costs, depreciation, etc. for the new estates concerned is \$92.84 per m² per month.

FINANCIAL IMPLICATIONS

6. The new flats, when fully let, will generate an annual rental income of \$154.6M. It is estimated that there will be an annual deficit of about \$77.9M as against an annual estimated operating cost (including depreciation) of \$232.5M. The management will continue to endeavour its best to ensure cost effectiveness.

STAFF COMMUNICATION PLAN

7. An e-summary will be issued to inform Housing Department (HD) staff of the rent fixing exercise.

PUBLIC REACTION/PUBLICITY

8. A press release for this rent fixing exercise will be issued. The following will be emphasised in publicity –

- (a) PRH rents, which are inclusive of rates and management/maintenance costs, are heavily subsidised;

- (b) PRH applicants allocated with new flats but cannot afford the rents may request for refurbished flats at lower rents. They may also apply for assistance under the Rent Assistance Scheme for flats in older block types^{Note} where applicable; and
- (c) under this rent fixing exercise, 77% of the flats are set at a rent level below \$2,000 per month.

DECLASSIFICATION

9. We propose that this paper be declassified upon Members' approval of the proposals contained in paragraph 4 above. The paper will be made available to the public at the HA/HD Website, the HA's Library and through the Departmental Access to Information Officer upon its declassification.

PRESUMPTION

10. It is not thought that Members will object to the proposals in paragraphs 4 and 9 above. If no objection or request for discussion is received by the Committees' Secretary by **noon on 5 December 2016**, Members' approval will be presumed and appropriate follow-up actions will be taken accordingly.

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(Estate Management Division)
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Note Older block types refer to blocks completed before 1992 and exclude all Harmony blocks and those PRH blocks converted from Home Ownership Scheme/Private Sector Participation Scheme/Buy Or Rent Option Scheme.

District Best Rent Levels of Domestic Flats

<u>District</u>	<u>Best Rent</u> <u>\$/m² (IFA)</u>
<i>Urban*</i>	77.8
Shatin / Tsuen Wan / Tsing Yi / Kwai Chung	75.2
Tai Po / Tseung Kwan O / Ma On Shan	68.2
Fanling / Sheung Shui / Tung Chung	55.1
Tin Shui Wai / Yuen Long / <i>Tuen Mun*</i>	51.8
Islands	44.7

* Districts with estate(s) involved in this rent-fixing exercise

Particulars of Flats Involved

District	Estate	No. of Blocks	Block Design	Standard of Provision	No. of Flats
Urban	On Tai Estate (Anderson Road Sites A & C1)	4	Non-standard	Rental	2 860
Tuen Mun	Yan Tin Estate (Tuen Mun Area 54 Site 2, Phases 1 & 2)	5	Non-standard	Rental	4 688
Total No.	2	9			7 548

Proposed Inclusive Rents

Estate (Best Rent Level)	Flat Type (IFA in m ²)	Non-standard Block				Total No. of Flats
	*Monthly Rent per Unit	Type A** (For 1/2 Persons)	Type B ⁺ (For 2/3 Persons)	Type C [#] (For 3/4 Persons)	Type D ^{##} (For 4/5 Persons)	
		(14.05- 14.24)	(21.60- 22.00)	(30.38- 30.85)	(35.57- 37.99)	
On Tai Estate (Anderson Road Sites A & C1) (\$77.8/m ²)	\$1,090	\$1,680- \$1,710	\$2,360- \$2,400	\$2,890- \$2,960	2 860	
Yan Tin Estate (Tuen Mun Area 54 Site 2, Phases 1 & 2) (\$51.8/m ²)	\$730- \$740	\$1,130- \$1,140	\$1,580- \$1,600	\$1,840- \$1,860	4 688	
Total No. of Flats	1 230	1 808	2 141	2 369	7 548	

* Rounded to the nearest \$10

** Type A Flat Size

On Tai Estate: 14.05m²

Yan Tin Estate: 14.05m² and 14.24m²

+ Type B Flat Size

On Tai Estate: 21.60m² and 21.99m²

Yan Tin Estate: 21.75m² and 22.00m²

Type C Flat Size

On Tai Estate: 30.38m² and 30.84m²

Yan Tin Estate: 30.42m² and 30.85m²

Type D Flat Size

On Tai Estate: 37.15m², 37.31m², 37.86m² and 37.99m²

Yan Tin Estate: 35.57m², 35.74m² and 35.83m²

Annex D

Distribution of Flats and Rents

Rents (\$)	Non-standard Block				Total No. of Flats
	Type A	Type B	Type C	Type D	
701 - 800	772				772
801 - 900					
901 - 1,000					
1,001 - 1,100	458				458
1,101 - 1,200		1 140			1 140
1,201 - 1,300					
1,301 - 1,400					
1,401 - 1,500					
1,501 - 1,600			1 212		1 212
1,601 - 1,700		416			416
1,701 - 1,800		252			252
1,801 - 1,900				1 564	1 564
1,901 - 2,000					
2,001 - 2,100					
2,101 - 2,200					
2,201 - 2,300					
2,301 - 2,400			929		929
2,401 - 2,500					
2,501 - 2,600					
2,601 - 2,700					
2,701 - 2,800					
2,801 - 2,900				441	441
2,901 - 3,000				364	364
	1 230	1 808	2 141	2 369	7 548

The range of rents will be:

\$701 - \$1,000	10.2%
\$1,001 - \$1,500	21.2%
\$1,501 - \$2,000	45.6%
\$2,001 - \$2,500	12.3%
\$2,501 - \$3,000	10.7%
	100%