

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

**Priorities of Demands for Public Rental Housing –
Implementation Options for Consideration**

PURPOSE

Taking into account views of the Subsidised Housing Committee (SHC) at its meeting of 31 October 2016 in terms of principle on the “Well-off Tenants Policies”, policy on allowing public rental housing (PRH) household members to apply for PRH, as well as the Under-occupation Policy, this paper sets out detailed implementation options for Members’ further consideration.

BACKGROUND

2. In light of the increasing demand for PRH, SHC considers that while making the best efforts to increase PRH supply, we should at the same time examine ways to better utilise PRH resources to ensure that efforts would be focused on allocating PRH resources to those with more pressing housing needs. Accordingly, SHC examined the relevant issues at the meeting of 31 October 2016 (SHC Paper No. 53/2016 refers) and expressed in-principle views on the priorities of various demands for PRH. At the meeting, SHC also noted the results of the special analysis of the housing situation of general applicants as at end-June 2016. Meanwhile, there are also views in the community that as many applicants with longer waiting time are four-person families, the Housing Authority (HA) should consider how to improve the waiting time of these applicants.

3. Taking into account Members’ views, we have come up with implementation options on the above issues, as well as some observations on the waiting time of four-person family applicants, for Members’ further consideration. Details are set out in –

- **Annex A** – Implementation options for refining the “Well-off Tenants Policies”
- **Annex B** – Introduction of a frozen period for general applicants currently living in PRH
- **Annex C** – Review of the Under-occupation Policy
- **Annex D** – Allocation of PRH flats

4. We would like to reiterate that the suggestions and options set out in the annexes will not have an immediate effect in reducing the average waiting time (AWT) ^{Note} in the short term. The supply-led principle under the Long Term Housing Strategy remains the key to resolving the supply-demand problem of PRH. Nonetheless, in light of the increasing demand for PRH, it is necessary for us to examine whether we can better allocate PRH resources to applicants with more pressing need and also make the relevant policies more equitable.

DECLASSIFICATION

5. We recommend that this paper be declassified after the meeting. The paper will be made available to the public at the HA homepage, the Department’s library and through the Departmental Access to Information Officer if it is declassified.

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Note Waiting time refers to the time taken between registration for PRH and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). The AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

Implementation Options for Refining the “Well-off Tenants Policies”

EXISTING POLICIES

The Hong Kong Housing Authority (HA)’s Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA) are commonly referred to as the “Well-off Tenants Policies”. In gist, under the “Well-off Tenants Policies”, after living in public rental housing (PRH) for ten years, tenants are required to declare their income biennially. Those with household income equivalent to two to three times of the PRH income limits (PRHILs) are required to pay 1.5 times net rent plus rates. Those with household income exceeding three times of the PRHILs are required to pay double net rent plus rates. Households paying double net rent plus rates have to declare their assets at the next declaration cycle and thereafter on a biennial basis. Households exceeding the prescribed income and asset limits (income exceeding three times of the PRHILs and asset exceeding 84 times of the PRHILs) are required to vacate their PRH flats within 12 months, during which double net rent plus rates or market rent, whichever is the higher, is charged.

2. Households (a) whose members are all aged 60 or above; or (b) with all members receiving Comprehensive Social Security Assistance (CSSA); or (c) who are on shared tenancies are exempted from declaration of income and assets under the “Well-off Tenants Policies”.

PRINCIPLES LAID DOWN BY THE SUBSIDISED HOUSING COMMITTEE

3. The Subsidised Housing Committee (SHC) examined the “Well-off Tenants Policies” at its meeting of 31 October 2016, and considered that the Policies should be refined along the following principles –

- (a) should tenants’ **income or assets** exceed a higher threshold than the existing one ^{Note 1}, the tenants concerned would need to vacate their PRH flats;

Note 1 Existing thresholds are income exceeding three times of the PRHILs and asset exceeding 84 times of the PRHILs.

- (b) tenants with private domestic property ownership in Hong Kong have to vacate their PRH flats, irrespective of their levels of income or assets; and
- (c) for “well-off tenants” with no private domestic property ownership in Hong Kong and with income and assets not exceeding the higher thresholds referred to in (a), those with income equivalent to two to three times of the PRHILs are required to pay 1.5 times net rent plus rates, while those with income exceeding three times of the PRHILs are required to pay double net rent plus rates. Households that are required to vacate their PRH flats but have a temporary housing need may apply for a fixed-term licence to stay in PRH for a period of not more than 12 months, during which a licence fee equivalent to the double net rent plus rates or market rent, whichever is higher, is charged.

IMPLEMENTATION OPTIONS

4. In accordance with the principles set out in paragraph 3 above, the following implementation options are set out for Members’ further consideration.

(a) Revision of income and asset limits under the “two pillars” principle

Income limits

5. Under the existing “Well-off Tenants Policies”, PRH tenants with income exceeding three times of the PRHILs (and asset exceeding 84 times of the PRHILs) are required to vacate their PRH flats. In response to Members’ suggestion of setting a higher income limit, we have made reference to the results of the General Household Survey conducted by the Census and Statistics Department (C&SD) in the second quarter of 2016. If the income limit is pegged at four times of the PRHILs, PRH households with such a level of income are within the top 10% households in terms of income across different household sizes in Hong Kong. If the income limit is pegged at five times of the PRHILs, PRH households with such a level of income are within the top 7% households in terms of income across different household sizes in Hong Kong.

6. A comparison of the relevant income limits and distribution of Hong Kong's household income is as follows –

Household Size	2016-17 PRHILs (per month)	Four times of 2016-17 PRHILs		Five times of 2016-17 PRHILs	
		Income Limits (per month)	Within the following top % of Hong Kong's household income distribution*	Income Limits (per month)	Within the following top % of Hong Kong's household income distribution*
1 person	\$10,970	\$43,880	10%	\$54,850	7%
2 persons	\$16,870	\$67,480	10%	\$84,350	6%
3 persons	\$22,390	\$89,560	5%	\$111,950	3%
4 persons	\$26,690	\$106,760	6%	\$133,450	4%
5 persons	\$30,900	\$123,600	10%	\$154,500	6%
6 persons or more	≥ \$34,690	≥ \$138,760	8%	≥ \$173,450	6%

* Source – General Household Survey for April to June (Second Quarter) 2016, C&SD

7. Take a four-person household as an example, four times and five times of the PRHILs are at \$106,760 and \$133,450 respectively. PRH households with such a level of income are within the top 6% and 4% four-person households in terms of income in Hong Kong respectively. For reference, Home Ownership Scheme (HOS) flats launched for pre-sale in 2014 and 2016 are mainly flats with a saleable area (SA) of about 40 m². According to the statistics of the Rating and Valuation Department (RVD), the rent of a private domestic flat with an SA of 40 m² only accounts for about 8.6% to 14.1% of the income of a four-person household with income at four times of the PRHILs. For a four-person household with income at five times of the PRHILs, the rent only accounts for about 6.9% to 11.3% of its household income –

	Hong Kong Island	Kowloon	New Territories
(a) Average rents of Class B private domestic units (40 m ² to 69.9 m ²) in the third quarter of 2016 (\$/m ² per month) (provisional figures) **	\$377	\$311	\$230
(b) Average rent of a 40 m ² SA flat calculated based on (a) (monthly rent)	\$15,080	\$12,440	\$9,200
(c) % of rent to income for a four-person household at four times of the PRHILs (\$106,760)	14.1%	11.7%	8.6%
(d) % of rent to income for a four-person household at five times of the PRHILs (\$133,450)	11.3%	9.3%	6.9%

** Source – Hong Kong Property Review Monthly Supplement (November 2016), RVD

8. Based on the above analysis, tenants with household income at four times of the PRHILs are within the top 10% households in terms of income across different household sizes in Hong Kong. These households should be relatively more capable to take care of their own housing needs without the need for HA to subsidise them using public resources. Hence, for the purpose of setting a higher income limit, **one possible option is to require tenants with household income exceeding four times of the PRHILs to vacate their flats.** However, since the “two pillars” principle will be revised such that tenants with either income or assets exceeding the relevant threshold will need to vacate their flats, **if Members consider that a more lenient approach should be adopted, another possible option is to set the income limit at five times of the PRHILs.**

Asset limit

9. Under the existing “Well-off Tenants Policies”, another requirement for PRH tenants to vacate their flats is having assets exceeding 84 times of the PRHILs. This limit was worked out by dividing the average discounted price of a three-bedroom (with an SA of about 60 m²) HOS flat in the urban area prior to the termination of HOS in 2002 by the then PRHIL of a four-person household. Following the principles laid down by SHC at the meeting of 31 October, the new asset limit should be higher than the existing one. As HOS flats launched for pre-sale in 2014 and 2016 are mainly flats with an SA of about 40 m² located in the Extended Urban Area and the New Territories, it is difficult to update the asset limit using the exact old formula. On the other hand, in deriving the HOS income and asset limits for White Form applicants, one of the parameters is a reference flat in the private sector, which is a ten-year old flat with an SA of 40 m² in the Extended Urban Area or the New Territories. We may consider using the selling price of a subsidised sale flat

with an SA of 40 m² as the basis to determine the new asset limit under the “Well-off Tenants Policies” by making reference to relevant parameters in HA’s recent developments.

10. The Sale of HOS 2016 includes the following two developments –

Development	District	Number of flats	Assessed average market value (\$/m ² SA)	Average selling price @ 30% discount (\$/m ² SA)
Ping Yan Court	Ping Shan, Yuen Long	2 409	76,000	53,200
Ka Shun Court	Sha Tin	248	105,000	73,500

Flats of Ping Yan Court in Yuen Long accounts for about 91% of the flats sold under the Sale of HOS 2016. By applying a 30% discount, the average selling price of a flat with an SA of 40 m² would be about \$2,130,000, and the asset limit would be at around 80 times of the PRHILs (calculated using the 2016-17 PRHIL of a four-person household at \$26,690).

11. As for Ka Shun Court in Sha Tin, it accounts for about 9% of the flats sold under the Sale of HOS 2016. By applying a 30% discount, the average selling price of a flat with an SA of 40 m² would be about \$2,940,000, and the asset limit would be at around 110 times of the PRHILs (calculated using the 2016-17 PRHIL of a four-person household at \$26,690).

12. Apart from HOS, HA launched the pre-sale of the Green Form Subsidised Home Ownership Pilot Scheme (GSH) project King Tai Court at San Po Kong in October 2016. The assessed market value of the development was \$101,500 per m² of SA. By applying a 40% discount, the average selling price is \$60,900 per m² of SA. Adopting the same approach in paragraph 10 above, the average selling price of a flat with an SA of 40 m² would be about \$2,440,000, and the asset limit would be at around 91 times of the PRHILs (calculated using the 2016-17 PRHIL of a four-person household at \$26,690).

13. Based on the above analysis, households with assets at 80 times of the PRHILs should be able to purchase subsidised sale flats recently launched by HA. However, 80 times of the PRHILs is lower than the existing asset limit (i.e. 84 times of the PRHILs) and does not meet the principle set out in paragraph 3(a) above. **One possible option is to set the asset limit under the**

“Well-off Tenants Policies” at 91 times of the PRHILs as per paragraph 12 above. However, since the “two pillars” principle will be revised such that tenants with either income or asset exceeding the relevant threshold will need to vacate their flats, **if Members consider that a more lenient approach should be adopted, another possible option is to set the asset limit at a level slightly higher than 91 times of the PRHILs, say, 100 times of the PRHILs.** The relevant asset limits are as follows –

Household Size	2016-17 PRHILs (per month)	Asset Limits		
		Under the current “Well-off Tenants Policies”	Possible Options	
		84 times of 2016-17 PRHILs	91 times of 2016-17 PRHILs	100 times of 2016-17 PRHILs
1 person	\$10,970	\$930,000	\$1,000,000	\$1,100,000
2 persons	\$16,870	\$1,420,000	\$1,540,000	\$1,690,000
3 persons	\$22,390	\$1,890,000	\$2,040,000	\$2,240,000
4 persons	\$26,690	\$2,250,000	\$2,430,000	\$2,670,000
5 persons	\$30,900	\$2,600,000	\$2,820,000	\$3,090,000
6 persons	\$34,690	\$2,920,000	\$3,160,000	\$3,470,000
7 persons	\$39,560	\$3,330,000	\$3,600,000	\$3,960,000
8 persons	\$43,980	\$3,700,000	\$4,010,000	\$4,400,000
9 persons	\$48,270	\$4,060,000	\$4,400,000	\$4,830,000
10 persons or more	\$52,440	\$4,410,000	\$4,780,000	\$5,250,000

(b) Requiring tenants with private domestic property ownership in Hong Kong to vacate their PRH flats

14. At the last meeting, Members were of the view that **tenants with private domestic property ownership in Hong Kong should vacate their PRH flats, irrespective of their levels of income or assets.** To implement the suggestion, a possible option is to make reference to the eligibility criteria for PRH application, i.e. if any household member in the tenancy –

- (a) owns or co-owns or has an interest in any domestic property in Hong Kong; or
- (b) has entered into any agreement to purchase any domestic property in Hong Kong; or

- (c) holds more than 50% of shares in a company which owns, directly or through its subsidiaries, any domestic property in Hong Kong,

the tenant concerned will need to vacate his/her PRH flat.

15. As stated in Paper No. SHC 53/2016, PRH should be provided to low-income families who cannot afford private rental housing. **Hence, the requirement for tenants with private domestic property ownership in Hong Kong to vacate their PRH flats should be applicable irrespective of whether the tenants have resided in PRH for ten years or not.**

Relevant administrative arrangements

16. At present, the “Well-off Tenants Policies” are not applicable to households (a) whose members are all aged 60 or above; or (b) with all members receiving CSSA; or (c) who are on shared tenancies. These households will continue to be exempted under the refined “Well-off Tenants Policies”.

17. On the other hand, the implementation of the refined “Well-off Tenants Policies” requires corresponding changes to the current declaration arrangements. After living in PRH for ten years, **tenants will have to declare both their income and assets in the biennial declarations, including whether they own any private domestic property in Hong Kong.** Under the existing arrangements, for those households who have lived in PRH for ten years, if they choose not to declare their household income, they will need to pay double net rent plus rates and declare assets biennially from the next declaration cycle. If the relevant households choose not to declare their assets in the next declaration cycle, they will need to vacate their PRH flats. **In light of the refinements to the “two pillars” principle, in future, if tenants choose not to declare their household income or assets, they will need to vacate their flats.**

18. As mentioned in paragraph 15 above, the requirement for tenants with private domestic property ownership in Hong Kong to vacate their PRH flats will also be applicable to tenants who have resided in PRH for less than ten years. **Even though tenants with less than ten years’ residence do not need to declare their income and assets, the Housing Department will carry out investigation if complaints are received. Those found to be owning private domestic property in Hong Kong will need to vacate their flats, irrespective of their length of residence in PRH.** Another possible option is to conduct

random checking on tenants who have resided for less than ten years to ascertain if they own any private domestic property in Hong Kong. However, we consider that the chance for households with less than ten years' residence to have the ability to acquire private domestic property in Hong Kong to be relatively low. We need to strike a balance between the cost-effectiveness of the random checking and the inconveniences that might bring to tenants, and to consider the resources required to carry out such checking.

OTHER RELEVANT ISSUES

19. Since PRH tenants with income or assets exceeding the relevant threshold will be required to vacate their PRH flats under the refined "Well-off Tenants Policies", Members suggested at the meeting of 31 October to make special arrangements for households with disabled members who have received compensation due to injuries sustained at work or in other accidents. Under the existing policy, compensation for loss of earning power due to injuries sustained at work or in traffic and other accidents may be deducted from the value of tenants' assets. In addition, CSSA households (including those with disabled members) are exempted from income and asset declarations under the "Well-off Tenants Policies". The above arrangements should have addressed the needs of families with disabled members, and will continue to be in place.

20. Some Members are concerned that households with irregular income, bonus or commission may need to vacate their flats if their income exceeds the relevant limit due to a sudden increase in income in the month of declaration. Based on the arrangement for income calculation under the current "Well-off Tenants Policies", irregular income is apportioned over the service period ^{Note 2}. On the other hand, if tenants' household income has

Note 2 Generally speaking, the average monthly income is calculated as follows (calculated based on the income received from the period served for the latest employer) –

$$\begin{array}{rcc} \text{Basic salary of the} & & \text{Irregular income received for} & & \text{Employees' contribution to the} \\ \text{assessment month} & + & \text{the service period} & - & \text{Mandatory Provident Fund} \\ & & \text{Service period} & & \text{Service period} \end{array}$$

For example, if the assessment month is April 2016, the commencement day of the employment/change of employment falls on 1 September 2015, the service period should be counted from 1 September 2015 to 31 March 2016, i.e. seven months.

dropped below the prescribed income limit for a continuous period of three months, or if the income decrease is of a permanent nature (e.g. due to death/deletion of household member(s)), they may apply for payment of rent at a lower level or grant of new tenancy (applicable to those staying in PRH under a fixed-term licence). The aforementioned arrangement can mitigate the impact on tenants due to fluctuations in income, and will continue to be in place.

21. In addition, some members are concerned that families with members who have received lump-sum retirement benefits may need to vacate their flats as their assets may exceed the proposed new asset limit, even though they may no longer have regular income in future to meet their ends. It should be noted that the “Well-off Tenants Policies” are not applicable to households whose members are all aged 60 or above. As for other households, if the asset limits are revised according to paragraph 13 above, the revised limits will be higher than the existing ones (i.e. 84 times of PRHILs). The above limits have taken into consideration the ability of households in taking care of their own housing needs. In addition, having regard to the need of those approaching retirement age to rely on their savings and assets to sustain their future living, the asset limits under the existing “Well-off Tenants Policies” for one-person to three-person households with all members aged over 55 are the same as that of a four-person household. This arrangement will continue to be in place.

CONSEQUENTIAL AMENDMENTS

Policy on Grant of New Tenancy (GNT)

22. According to the existing GNT policy, upon the death or moving out of a principal tenant, if there is no surviving spouse, a new tenancy may be granted to other authorised family members living in the PRH flat, provided that the prescribed limits under the “Well-off Tenants Policies” can be met. Following the principles laid down by SHC at the meeting of 31 October, if Members agree to the amendments to the “Well-off Tenants Policies”, corresponding amendments will be made to the relevant income and asset criteria under GNT.

Tenancy management arrangements

23. Various arrangements concerning tenancy management are related to the “Well-off Tenants Policies”. For the Territory-wide

Overcrowding Relief Transfer exercise, the Living Space Improvement Transfer Scheme and transfer of tenants occupying converted one-person flats, the tenants concerned have to comply with the no-domestic-property requirement and the income and asset limits under the “Well-off Tenants Policies”. Successful applicants will be required to make biennial declaration pursuant to the “Well-off Tenants Policies” in future irrespective of their length of residence in PRH, in order to assess the level of rent payable and their continuing eligibility for PRH. If Members agree to the amendments to the “Well-off Tenants Policies”, corresponding amendments will be made to the relevant income and asset criteria under these tenancy management arrangements.

Arrangements involving additional PRH resources

24. For arrangements involving additional PRH resources, including household splitting and divorce cases, the tenants concerned have to comply with the no-domestic-property requirement and the PRH income and asset limits. The tenants concerned will also be required to make biennial declaration pursuant to the “Well-off Tenants Policies” in future irrespective of their length of residence in PRH, in order to assess the level of rent payable and their continuing eligibility for PRH. If Members agree to the amendments to the “Well-off Tenants Policies”, corresponding amendments will be made to the relevant income and asset criteria under these arrangements involving additional PRH resources.

Application for addition of household members

25. For the addition of household members, the tenants concerned have to comply with the no-domestic-property requirement and the income and asset limits under the “Well-off Tenants Policies” in most cases. The tenants concerned will also be required to make biennial declaration pursuant to the “Well-off Tenants Policies” in future, irrespective of their length of residence in PRH, in order to assess the level of rent payable and their continuing eligibility for PRH. If Members agree to the amendments to the “Well-off Tenants Policies”, corresponding amendments will be made to the relevant income and asset criteria.

26. On the other hand, for the addition of a tenant’s spouse, currently neither the no-domestic-property requirement nor the income and asset limits under the “Well-off Tenants Policies” are applicable. For the addition of the

spouse and children under the age of 18 of a married offspring of the tenant (provided that the married offspring is an authorised member under the tenancy), while the household is required to comply with the income and asset limits under the “Well-off Tenants Policies”, the no-domestic-property requirement is not applicable. For the sake of equity, **Members may consider** aligning the relevant arrangements by requiring the households concerned to comply with both the no-domestic-property requirement **and** the income and asset limits under the refined “Well-off Tenants Policies” in future for addition of the above categories of household members.

IMPLICATIONS OF REFINEMENTS TO THE “WELL-OFF TENANTS POLICIES”

27. The proposed new levels for the income and asset limits under the “Well-off Tenants Policies” are different from the existing ones. Furthermore, under existing policy, not all tenants are required to declare private domestic property ownership in Hong Kong. It is therefore difficult to estimate the number of PRH flats that may be recovered as a result of the refinement measures. Nonetheless, PRH flats are precious public resources. HA has to ensure that they are allocated in a fair and reasonable manner to those with more pressing housing needs.

FINANCIAL, STAFFING AND INFORMATION TECHNOLOGY IMPLICATIONS

28. Refinements to the “Well-off Tenants Policies” involve extra work and require additional manpower resources. We will review the future manpower requirement as appropriate and seek additional resources following the established procedures. We will also need to upgrade the existing computer system.

IMPLEMENTATION AND PUBLICITY

29. At present, income/asset declarations under the “Well-off Tenants Policies” are conducted in April and October every year. To cater for the upgrading of the computer system and the relevant preparatory work, we recommend implementing the refined “Well-off Tenants Policies” starting from

the declaration cycle in October 2017. Corresponding amendments to GNT, tenancy management arrangements, etc. will also be implemented on 1 October 2017. The income and asset limits under the “Well-off Tenants Policies” will accordingly be calculated using the 2017-18 PRHILs. We will issue press release to announce the refinements to the “Well-off Tenants Policies”.

30. To ensure that PRH tenants are aware of the refined “Well-off Tenants Policies”, we will distribute information relating to the “Well-off Tenants Policies” upon signing of the tenancy agreement. For existing tenants, they will be informed of the refined “Well-off Tenants Policies” through various existing channels.

Introduction of a Frozen Period for General Applicants Currently Living in Public Rental Housing

BACKGROUND

At the meeting held on 31 October 2016, the Subsidised Housing Committee considered that when compared with applicants living in private rental accommodation (especially those living in “sub-divided units”), general applicants currently living in public rental housing (PRH) had relatively less pressing needs for another PRH flat. Considering the fact that non-elderly one-person applicants under the Quota and Points System (QPS) who are currently living in PRH would be deducted 30 points to reflect their relatively lower priority, Members considered that a similar mechanism could be introduced for general applicants. In short, a frozen period (say one year) could be imposed on those general applicants currently living in PRH to reflect their relatively lower priority as compared to those applicants who are living in private rental accommodation. This paper sets out several implementation options for Members’ consideration.

IMPLEMENTATION ARRANGEMENT

2. Under the existing QPS policy, non-elderly one-person applicants currently living in PRH will be deducted 30 points. Since a QPS applicant will earn one additional point for each month he has waited, deduction of 30 points will roughly mean deferring the relevant application for about 30 months (or about 2.5 years). As it has always been the policy to accord general applicants higher priority over non-elderly one-person applicants, if a frozen period is to be introduced for general applicants currently living in PRH, one year will be a suitable duration since this should be able to strike a balance amongst different policy considerations. **A concrete way to freeze relevant applications will be to defer the registration date of the relevant application by one year.** For example, assuming a general applicant currently living in PRH is registered in January 2017, if a frozen period of one year is imposed, the application will be deemed to be registered in January 2018 for the purpose of determining the priority for PRH allocation.

Options for consideration

3. As for the detailed implementation arrangements, set out in the ensuing paragraphs are three options for consideration. Irrespective of which option Members may choose, the following will apply –

- (a) to avoid applicants deliberately evading the system at the time of registration, once an application is frozen, the frozen period imposed will not be adjusted or cancelled on account of any subsequent addition/deletion of household members in the application, or deletion of household members from the existing PRH tenancy;
- (b) even if an application needs not be frozen at the time of registration, if the application subsequently meets the criteria for freezing due to addition/deletion of household members; or addition of household members in a PRH tenancy, the application concerned will still need to be frozen for one year;
- (c) applications registered prior to the implementation date of the new frozen period arrangement will not be affected; and
- (d) applications under the “Single Elderly Persons Priority Scheme”, “Harmonious Families Priority Scheme” and “Elderly Persons Priority Scheme” will be exempted from the new frozen period arrangement. To prevent potential abuse of this exemption, if an application has been frozen for one year under the new arrangement in its capacity as an ordinary family application, even if the application subsequently switches to one under the “Harmonious Families Priority Scheme”, the frozen period imposed earlier will not be cancelled as a result.

Option 1 – If one of the household members in the application is currently living in PRH, the application will be frozen for one year

4. The merit of this option is simple and easy to understand. It is also easy to assess. Besides, once an application is frozen, the frozen period will not be adjusted or cancelled even if there is addition/deletion of household members, thus eliminating the need to make continuous assessment as to whether or not to initiate the freezing procedure as a result of any subsequent

changes in family circumstances, and can avoid unnecessary disputes subsequently. The downside of this option is that it may be too stringent, and may fail to take into account housing needs arising from marriage or family reunion. At the same time, this option will involve a large number of cases and may result in greater repercussion or even challenges.

Option 2 – If over half of the household members in the application are currently living in PRH, the application will be frozen for one year

5. Compared with Option 1, this option is less controversial and can better address changes in family circumstances (e.g. married persons who cannot be added into the current PRH tenancies may apply for PRH as a two-person family, and their application will not be affected by the new arrangement so long as one of them is not currently living in PRH). Nevertheless, experience indicates that family circumstances of applicants often change during the period from registration to allocation, and applicants will request for addition or deletion of family members from time to time. Moreover, estate offices handle tenants' requests for addition or deletion of household members on a daily basis, and such addition/deletion in tenancy will affect the proportion of household members currently living in PRH in the applications concerned. Under this option, whether to freeze an application hinges on the proportion of household members currently living in PRH in the application. For the sake of fairness, when we process requests for addition/deletion of household members, switching of application category, splitting of application due to divorce, or addition/deletion in current PRH tenancies, we need to monitor on a continuous basis to ascertain whether such changes will result in the need for freezing the applications concerned for one year during the waiting period.

6. This option is very complicated in terms of implementation. Given the large number of PRH applications, if this option is adopted, a full upgrade of the computer system is required for identifying, alerting and monitoring the frozen cases, and a longer lead time will be required for implementation of the new arrangement. Moreover, enquiries, reviews and complaints are also expected to surge, requiring the need for substantial increase in manpower resources to cope with the workload. At the same time, since this option involves continuous monitoring of changes in family composition in the applications and the resulting need for freezing the applications during the waiting period, it may result in a lot of disputes.

Option 3 – If all household members in the application are currently living in PRH (whether from the same or from different PRH tenancies), the application will be frozen for one year

7. This option should be the least controversial and with strongest justifications as compared with Option 1 and Option 2. Same as Option 2, this option also requires continuous monitoring of the applications to ascertain whether the applications need to be frozen for one year during the waiting period as a result of applicants adding/deleting household members from the applications, switching of application category, splitting of application due to divorce, adding/deleting household members from their PRH tenancies, etc. Implementation of this option also requires substantial manpower resources, but we believe that Option 3 will involve a relatively smaller number of cases.

8. As pointed out in Annex F of the SHC Paper “Priorities of Demands for Public Rental Housing” (Paper No. SHC 53/2016 refers) discussed at the meeting on 31 October, since existing policy does not take into account applicants’ current type of accommodation, HA does not have statistics on the number of applicants who are currently living in PRH but apply for another PRH unit through general family applications. For reference purpose, based on the results of the Survey on PRH Applicants 2016, among the 1 900 ^{Note 1} general applicants interviewed, 25% ^{Note 2} responded that they were currently living in PRH. As the survey did not ask the respondents about the type of accommodation of their family members on the PRH application forms, and applicants can adjust their family composition in their applications in response to any new initiatives, we do not have reliable statistics to assess the potential impact of the above three options at this stage. However, regardless of which option we adopt, we can bring out the important message that we need to focus efforts in allocating PRH resources to those with more pressing need.

Note 1 3 000 PRH applicants were randomly selected for the 2016 Survey on PRH Applicants, of which 1 900 were general applicants (including 700 two-person family applicants). The overall response rate was 78%.

Note 2 The Survey only asked about the current type of accommodation of respondents. Respondents were not asked about the type of accommodation of other family members on their PRH application forms.

Relevant Issues

Arrangements when non-elderly one-person applications switch to general family applications, and when general family applications switch to non-elderly one-person applications

9. If we introduce a frozen period for general applicants currently living in PRH, we also need to consider the arrangements when general family applications switch to non-elderly one-person applications and vice versa.

10. According to current policy, non-elderly one-person applicants under QPS may switch to family applications without the need for a new registration. Half of the waiting time as non-elderly one-person applicant under QPS will be credited to the family application, up to a maximum of 18 months ^{Note 3}. For example, if Applicant A has waited for one year under the QPS, he will be regarded as having waited for half a year when he switches to family application. If Applicant B has waited for two years under the QPS, he will be regarded as having waited for one year when he switches to family application. If Applicant C has waited for five years under the QPS, he will be regarded as having waited for 1.5 years when he switches to family application. After adjustment of the waiting time, a registration date equivalent to that of a general application will be computed. This equivalent registration date will serve as a reference for subsequent allocation.

11. In other words, under current policy, when QPS applicants switch to family applicants, part of their waiting time will not be counted. If their family applications have to be frozen in accordance with any of the aforementioned options, to avoid overly affecting the priority of their applications, we **recommend** –

- (a) when QPS applications switch to family applications, if their waiting time which will not be counted under current policy is less than one year, their family applications will be further frozen to add up to one year in total;

Note 3 This arrangement is to prevent applicants from registering at an early stage so as to shorten the waiting time when they change to general family applicants .

- (b) when QPS applications switch to family applications, if their waiting time which will not be counted under current policy is one year or more, their family applications will not be further frozen.

12. For example, when QPS Applicant A as mentioned in paragraph 10 above switches to family application, the waiting time which will not be counted under current policy is six months. If this family application meets the criteria for freezing under any of the aforementioned options, it will only be frozen for six months. When Applicants B and C switch to family applications, as their waiting time which will not be counted under current policy is one year and 3.5 years respectively, their family applications will not be further frozen.

13. On the contrary, for a family application which has been frozen for one year on the date of registration, should one of the household members currently living in PRH subsequently switches to non-elderly one-person application, 30 points will be deducted as required under the QPS. However, for the sake of fairness, we **recommend** using the registration date of his previous family application before being frozen as the basis for calculating his waiting time points and age points under the QPS.

Anticipated Date of Implementation

14. Irrespective of which option as stated in paragraphs 4 to 7 is adopted, it is necessary to upgrade the computer system and to reserve sufficient time for revising the application documents (such as the application guide, application form, etc.) and making available the required manpower resources and other administrative support. We are now in the process of enhancing the computer system, which will be in operation in end 2017/early 2018. If Option 2 is chosen, given the need to fully upgrade the computer system in order to identify, alert and monitor the frozen cases, the new arrangement can only be implemented when the enhancement of the computer system is completed and in operation. If Option 1 or Option 3 is chosen, the new arrangement can be implemented on 1 April 2017 through manual handling of the cases before the launch of the new computer system.

Review of the Under-Occupation Policy

BACKGROUND

It is the Hong Kong Housing Authority (HA)'s long-standing policy to require those households with living space exceeding the prescribed UO standards to move to another PRH flat of appropriate size. The current UO standards have been in effect since 1992 (see the Table at para. 3). They are more generous than the PRH allocation standards to build in a margin to accommodate households who have had relatively less significant changes in their family size.

2. A review on UO situation was triggered by a study of the Audit Commission conducted in 2006/07. The Commission recommended HA to draw up of a plan to tackle the UO problem in order of priorities and to take enforcement actions against those households who refused to move to flats of appropriate size. Subsequently, we started adopting a phased approach to handle the UO cases in PRH estates with priority given to Prioritised Under-occupation (PUO) households (previously known as Most-serious UO households) who are living in flats with an Internal Floor Area (IFA) exceeding the prescribed thresholds **AND** without disabled or elderly family members aged 60 or above.

3. The UO policy has since been reviewed in 2010 and 2013. In brief, while the UO standards have remained unchanged, the PUO thresholds have been lowered from 35m²/person in 2007 to 34m²/person in 2010, and the thresholds for different household sizes were further tightened in 2013. The current standards are at the Table below.

Current UO Standards and PUO Thresholds

Household Size	UO Standards	PUO Thresholds
	Internal Floor Area	Internal Floor Area
1-person	25m ²	30m ²
2-person	35m ²	42m ²
3-person	44m ²	53m ²
4-person	56m ²	67m ²
5-person	62m ²	74m ²
6-person	71m ²	85m ²

Enhanced Measures to Tackle UO Since 2013

4. In October 2013, since the majority of PUO cases with a living density exceeding 34m²/person had been resolved, Members endorsed enhanced measures to tackle UO cases (Paper No. SHC 31/2013 refers). Those UO households with elderly members aged 60 or above but below 70 would be placed at the end of the UO list and those with disabled members or elderly members aged 70 or above are excluded from the UO list (Excluded UO households). The PUO thresholds were also tightened as shown in Table A, and PUO households would be given a maximum of three housing offers instead of four in their residing estates or an estate in the same District Council constituency for transfer, but their tenancies would be terminated if they refused to accept all the offers without acceptable reasons. New flats would be offered subject to availability of resources, and Domestic Removal Allowance (DRA) would be offered upon the transfer of UO and PUO households. Members also agreed to review the effectiveness of these measures after three years of implementation.

5. In October 2014, Members further approved additional incentives for encouraging early transfer (Paper No. SHC 58/2014 refers). PUO households would be given a rent waiver of three months, two months or one month if they accept correspondingly the first, second or third housing offer. For non-PUO households with living space exceeding the UO standards but not the PUO thresholds or exceeding the PUO thresholds but with family members aged 60 or above but below 70, and for Excluded UO households, DRA and new flats subject to availability of resources would also be offered if they choose to transfer to smaller flats. Members also endorsed on compassionate grounds to allow a standard stayput period of one year to PUO households suffering from decease of family member to allow reasonable time for their recovery from emotional/psychological stress, and to continue adopting a reasonable and considerate approach in considering on individual merits the stayput request for PUO tenants waiting for reunion with family members from Mainland China.

THE REVIEW

----- 6. **The Appendix** gives key figures summarising the latest situation. In summary, at March 2013 there were 7 580 PUO cases, and during the three and a half years between April 2013 to September 2016 –

- (a) cases increased by 6 400, or 1 830 per year;
- (b) we resolved 8 290 cases, of which 3 612 led to transfer to a smaller flat, and 928 led to net recovery of flats;
- (c) there is a net reduction of 1 890 cases (8 290 - 6 400);
- (d) the number of cases at September 2016 was therefore 5 690 (7 580 - 1 890).

Standards

7. On average, the living density of the 5 690 PUO households is 30.3m²/person. This is 2.3 times of the average living density of all PRH households, and 4.3 times of our standard for allocation of 7m²/person. In addition, PRH resources are insufficient to meet demand. Accordingly we see no justification for relaxing the PUO thresholds.

8. As to whether we should tighten the current PUO thresholds, it depends crucially on the capacity to transfer PUO tenants. This is limited mainly by the number of smaller units that we can use to rehouse PUO cases. Such supply has been limited because of the competing demand for such smaller units from PRH applicants. In the 2016 Estimated Public Rental Housing Allocation approved by Members in June 2016, we were only able to set aside 1 000 units for PUO transfers. This supply will unlikely increase significantly in the next few years. With this supply of smaller units, it will take us some years to process the current stock of PUO cases of 5 690 plus new cases that will arise. In the circumstances we do not propose to tighten the PUO thresholds.

9. For the same reasons we do not propose to revise the UO standards. Tightening the standards will not be meaningful in practical terms.

LegCo's Motion of Excluding UO Households with Elderly Members Aged 60 or above from the UO List

10. During the public consultation on the Long Term Housing Strategy in 2014, some respondents, particularly concern groups representing affected tenants worried that although UO households with elderly members between the age of 60 or above but below 70 would be placed at the end of the UO transfer

list, they might be required to transfer to smaller flats in the future despite that HA would not take immediate action against them. The issue was discussed at the Legislative Council (LegCo) Panel on Housing in May 2014 where a motion to request HA to exclude UO households with members aged 60 or above from the UO list was passed. In June 2014, it was further discussed in a special LegCo Panel on Housing meeting with the presence of public deputations. Subsequently, Members endorsed the consideration of the LegCo's motion in this 2016 policy review (Paper No. SHC 58/2014 refers).

11. In the current review, as reflected in the above paragraphs on the challenges in tackling UO and PUO cases, focus and priority should continue to be on the handling of existing PUO cases as well as those newly identified PUO households in the coming years. Given the number of PUO cases, those households with members aged 60 or above but below 70 would unlikely be affected if we continue to put them at the end of the UO list. Furthermore, with the tight supply of PRH, we need to continue to be vigilant in ensuring the rational use of PRH resources. We therefore recommend that UO households with members aged 60 or above but below 70 should continue be placed at the end of the UO list.

Same Treatment to All Rehousing Categories

12. Upon lowering of PUO thresholds from 35m² to 34m² in 2010, some of the tenants originated from a two-person family in redevelopment/clearance blocks, who were rehoused under a relaxed allocation policy^{Note}, became PUO households upon deletion of a family member. These tenants formed several concern groups and requested persistently to HA for exercising discretion to allow ex-tenants of redevelopment/clearance blocks to stayput in their present flats despite under-occupation. However, they receive little support from the community which all along has high aspirations on rational use of public housing resources in addressing the housing need of PRH applicants. Under the existing policy, all PRH tenants, irrespective of their rehousing categories, are subject to the same set of housing policies.

Note One-Bedroom flats in Harmony Blocks originally designed for a three to four-person household can be allocated to a two-person household with potential family growth during estate redevelopment/clearance exercises if there is surplus supply of such flats.

13. To maintain policy consistency, we will continue to apply same treatment to all rehousing categories under the UO policy while estate staff will exercise flexibility on individual cases with compassionate elements or justifiable grounds, which was reaffirmed by Members in October 2014.

Maintain a Maximum of Three Housing Offers to PUO Households

14. In October 2015, some Legislative Councillors raised a request to resume giving a maximum of four housing offers to PUO households for transfer as in the arrangements before 2013. After reviewing the statistics of the past year, it is found that about 97% (1 130 out of 1 160) of the PUO cases could be successfully resolved through transfer with three housing offers or less. Therefore, it is not necessary to revise the arrangement of giving a maximum of three housing offers to PUO households while flexibility could be exercised for cases with individual merits.

Temporary Stayput of PUO Households with Compassionate Grounds

15. With regard to allowing a stayput period of one year to PUO households on grounds of decease of family member and considering on individual merits the stayput request for PUO tenants waiting for reunion with family members from Mainland China, they have been well-received by the community since their implementation in October 2014. In this regard, we recommend continuing this practice for the well-being of the PUO households.

DRA, Allocation of New Flats to UO and PUO Households and Rent Waiver to PUO Households

16. The granting of DRA and opportunity to transfer to new flats to UO and PUO households, and rent waiver to PUO households (paras. 4 and 5 refer), has encouraged early transfer of the households and hence accelerated the progress of recovery of larger PRH flats for reallocation. In this regard, we recommend continuing adopting these incentives.

IMPLEMENTATION AND REVIEW

17. We **propose** to implement the above arrangements **immediately** subsequent to Members' endorsement. We would recommend conducting a review again on the overall UO situation after three years, taking into account

the possible changes in demand and supply of small flats and other implementation results in future.

RECOMMENDATIONS

18. We recommend that Members endorse the continuation of the current policy, as follows –

- (a) to maintain the UO standards and the PUO thresholds (paragraphs 8 and 9);
- (b) to continue excluding households with disabled members or elderly members aged 70 or above from the UO list, and placing those households with elderly members aged 60 or above but below 70 at the end of the UO list (paragraph 11);
- (c) to continue treating all PRH households the same under the UO policy irrespective of their rehousing categories (paragraph 13);
- (d) to maintain a maximum of three housing offers to PUO households (paragraph 14);
- (e) to maintain the measure to allow a standard stayput period of one year to PUO households on grounds of decease of family member and adopt a reasonable and considerate approach in considering on individual merits the stayput request for PUO tenants waiting for reunion with family members from Mainland China (paragraph 15);
- (f) to continue offering Domestic Removal Allowance (DRA) and transfer opportunity to new estate to UO and PUO households, and an additional incentive in the form of rent waiver up to three months to PUO households (paragraph 16);

and conduct a review after three years (paragraph 17).

FINANCIAL IMPLICATIONS

19. Continuing the existing policy does not give rise to additional financial implications. Based on past expenditure we estimate that the total expenditure of DRA in the coming three years will be around \$30M and the rent waiver will be around \$10M.

PUBLICITY AND PUBLIC REACTION

20. Some UO and PUO households and concern groups may be disappointed with the proposed continuation of the existing policy. In response, we will emphasise that we have to safeguard the rational use of public housing resources which are heavily subsidised and limited in light of the increasing demand for PRH and the need to better allocate PRH resources to applicants with more pressing needs. We would publicise the arrangements upon SHC's endorsement through press release, estate newsletter, Estate Management Advisory Committee meetings, Housing Channel and HA/Housing Department website.

ADVICE SOUGHT

21. Members are invited to consider and endorse the recommendations as set out in paragraph 18.

Overall Situation of PUO Cases Over the past 3.5 years
(from 1.4.2013 to 30.9.2016)

	No. of PUO cases	
As at 31.3.2013	7 580	
As at 30.9.2016	5 690	
New PUO identified during the past 3.5 years	6 400	(1 830 per year)
PUO settled during the past 3.5 years	8 290	(average 2 370 per year)
Increase in PUO cases during the past 3.5 years	84%	(6 400/7 580)
Average increase of PUO cases per year	24%	

Table 1

Resolved PUO cases (from 1.4.2013 to 30.9.2016)					
Transfer to smaller flats	Flats of PUO Resided before Transfer				
	1-2P	2-3P	3-4P	4-5P	Total
	0	3	2 291	1 318	3 612
NTQ/Self-surrender with flats recovered	375				
Purchase of HOS flats	553				
Total flats recovered	3 612 + 375 + 553 = 4 540				
Others e.g. addition of family members/disability/become elderly/others	3 745				
Total No. of Cases Resolved	8 285 (say 8 290)				

Table 2

Outstanding PUO Cases (as at 30.9.2016)							
Household Size	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person	Total
No. of cases	3 683	1 808	153	43	5	3	5 695 (say 5 690)

No. of small households = 3 683 + 1 808 = 5 491 (say 5 490)

Allocation of Public Rental Housing Flats

BACKGROUND

At the Subsidised Housing Committee meeting held on 31 October 2016, Members discussed the paper “Special Analysis of the Housing Situation of General Applicants for Public Rental Housing (PRH) as at end-June 2016” (Paper No. SHC 52/2016 refers). Table 5 of the paper (extract at **Appendix**) indicates that as at end-June 2016, four-person households accounted for the largest number of applicants who had waited for over five years but without any flat offer in all the four districts choices. Given the long waiting time of four-person households, there are views from the community that PRH flats suitable to house three to four persons should be allocated to four-person households on the waiting list. This paper analyses the situation.

Current allocation standard for PRH

2. Hong Kong Housing Authority (HA)’s current allocation standard for PRH is **no less than 7 square metres (m²) internal floor area (IFA)** per person. At present, newly completed PRH flats are mainly categorised into four types –

Type of Flats	Internal Floor Area	Allocation Range
A	about 14 m ²	1 - 2 persons
B	about 21 m ²	2 - 3 persons
C	about 31 m ²	3 - 4 persons
D	about 35 m ²	4 - 5 persons

3. Taking into account past experience in handling tenants’ requests and operational considerations, we generally adopted the lower limit of the household size as benchmark for allocation of newly completed PRH flats. In other words, applicants who meet the minimum household size of the relevant flat will be allocated with the flat. This approach has taken into consideration the fact that often there is family growth after tenants moved in. For instance, if a four-person household is allocated a newly completed Type C flat (with an IFA of about 31 m²), an addition of one family member will lead to a drop in the average living space per person to 6.2m², which is below the current standard of 7 m² per person. Although this family can apply for transfer under the “Living

Space Improvement Transfer Scheme”, they may not be able to transfer to a larger flat within a short period of time due to limited supply of flats for transfer.

4. For recycled flats, since there are many types of design and size of PRH flats completed at different periods of time in the past, the then Rental Housing Committee (RHC) set allocation ranges for different types of designs and also adopted a more generous standard as compared to the standard nowadays. For instance, the allocation range of a flat with IFA of about 32 m² to 34 m² completed in the past was set for allocation to three to four-person households. For the sake of equity, we generally allocate such recycled flats to four-person households to make the allocation standard more comparable with that of flats newly completed nowadays.

Views on allocation for four-person households

5. According to the current arrangement for newly completed flats, four-person households will be allocated Type D flats (with an IFA of about 35 m², suitable for allocation to four to five persons). There are views that the allocation standard should be tightened in a comprehensive manner by adopting the **upper limit** of household size (e.g. a flat suitable for allocation to three to four persons should be allocated to a four-person household). There are also views that in order to help shorten the waiting time of four-person households, these households should be given an option to choose whether to accept Type C flats (IFA of about 31 m²).

6. Our analysis on the above suggestions are set out below –

- (a) if we allocate newly completed Type C flats to four-person households, the number of flats available for allocation to three-person households will reduce, hence directly affecting the waiting time of the latter. As shown in the Appendix, while four-person households account for the largest number of applicants who have waited for over five years but without housing offer in all district choices, three-person households noticeably constitute the majority of applicants who had waited for three to five years but without housing offer;
- (b) if four-person households are allocated Type C flats, for the sake of consistency, HA similarly has to consider allowing three-person households to be allocated Type B flats; and two-person households to be allocated Type A flats. Following

paragraph (a) above, three-person households may in particular ask for the same treatment;

- (c) if all applicants are to be housed to flats that meet the upper limit of the household size, since the overall supply has not changed, this approach would have spill-over effect on applicants of other household sizes and would ultimately reduce the supply of flats for allocation to one-person applicants. At present, apart from reserving not more than 2 200 units annually for allocation to non-elderly one-person applicants under the Quota and Points System, Type A flats are mainly allocated to elderly one-person applicants. If two-person households are also allocated Type A flats, the number of units available for allocation to elderly one-person applicants will reduce, and may affect the average waiting time (AWT) target of two years for elderly one-person applicants^{Note};

- (d) if we house applicants to flats that meet the upper limit of the household size, HA may either adopt a unified approach for all applicants, or provide an option for applicants to choose. If applicants are allowed to choose, since they may change their minds at any time while awaiting flat allocation, this would pose serious problems in terms of operation. As at end September 2016, about 136 500 family applicants with household size of two or more persons were on the waiting list. For the sake of fairness, we need to ask each of them in writing to indicate whether they would like to accept the allocation of a smaller flat. It is also difficult to estimate the number of applicants who will opt for a smaller flat. Apart from policy consideration, there are immense difficulties in implementing this option;

- (e) if a unified standard is set by HA, some applicants may object. As a matter of fact, HA had once tried out allocation based on the upper limit of household size in certain blocks of four newly completed estates (Lei Yue Mun Estate, Ching Ho Estate, Shek

Note As at end of September 2016, the AWT for elderly one-person applicants was 2.4 years.

Lei (II) Estate and Shek Pai Wan Estate) in 2006-07. At that time, due to a drop in the supply of new flats, HD adopted a contingency approach and arranged allocation based on the upper limit of household size, i.e. a flat suitable for allocation to three to four persons were allocated to four-person households. However, this had invited many complaints and this allocation method was not extended to other newly completed estates; and

- (f) the above suggestions would lead to an increase in the number of tenants requesting for transfer to larger flats due to family growth.

Supply and allocation of large flats

7. In view of Members' concern on the waiting time of large families, we have been striving to increase the supply of larger flats. SHC paper "Special Analysis of the Housing Situation of General Applicants for PRH as at end-June 2016" (Paper No. SHC 52/2016), which was discussed on 31 October, already points out that the supply of Type C and Type D flats will increase in the coming years. According to the estimate as at September 2016, during the five-year period from 2016-17 to 2020-21, the estimated total PRH production by HA is about 70 700 flats, of which 24% are Type D flats (with an IFA of about 35 m², suitable for allocation to four to five persons). We expect the waiting time of four-person and five-person households will improve when more new Type D flats are completed.

8. Besides, as stated in paragraph 4 above, a more generous approach was adopted in setting the allocation range of some of the PRH flats (mainly Harmony Blocks) completed in early years. Also, during the cessation period of the Home Ownership Scheme (HOS), some HOS/ Private Sector Participation Scheme (PSPS) flats (e.g. Concord and New Cruciform blocks) were converted to PRH flats. Given the relatively small demand for large flats due to the relatively small number of applicants with large family size at that time, the then RHC set a rather generous allocation range for these flats. Take Ko Cheung Court as an example, a three-bedroom flat with IFA of 45.79 m² was set for allocation to four to five-person households. However, under current standard, this flat is suitable for allocation to six-person households.

9. In view of the current tight supply of large flats, we **recommend** revising the allocation standard of PRH flats completed in early years as well as flats converted from HOS/PSPS flats by **adopting the current principle of not less than 7 m² IFA per person as the allocation standard for all these flats** in future. By doing so, more of such recycled flats can be used for allocation to larger families. When more of such recycled flats become available for allocation to families of six-person or above, the need for us to use two adjacent new flats (e.g. using a Type C flat and a Type D flat to house a eight-person household) to house large families will reduce, thus releasing more Type D flats for allocation to four-person households.

**Extract from SHC Paper “Special Analysis of the Housing Situation of
General Applicants for Public Rental Housing as at end-June 2016”
(SHC 52/2016)**

Table 5

**Distribution of waiting time of general applicants who had waited
for PRH for over three years and without any flat offer as at
end-June 2016**

District choice	Waiting Time	Household size					Total
		1-P Note	2-P	3-P	4-P	5-P+	
Urban	>3 - ≤ 4 years	280	1 600	760	340	190	3 200
	>4 - ≤ 5 years	30	1 400	1 900	810	310	4 500
	>5 years	20	660	2 800	3 700	1 000	8 200
	Subtotal	320	3 700	5 400	4 900	1 500	15 800
Extended Urban	>3 - ≤ 4 years	40	6 800	5 400	2 700	510	15 300
	>4 - ≤ 5 years	10	4 200	4 100	2 700	610	11 500
	>5 years	<5	20	800	2 200	680	3 700
	Subtotal	50	11 000	10 300	7 500	1 800	30 600
New Territories	>3 - ≤ 4 years	60	2 600	2 200	1 200	260	6 300
	>4 - ≤ 5 years	10	1 400	1 900	1 500	380	5 200
	>5 years	10	20	170	1 700	360	2 200
	Subtotal	70	4 000	4 300	4 400	990	13 700
Islands	>3 - ≤ 4 years	0	50	20	10	<5	80
	>4 - ≤ 5 years	0	10	<5	10	<5	30
	>5 years	<5	0	0	10	<5	10
	Subtotal	<5	60	20	30	10	110
Overall	>3 - ≤ 4 years	370	11 000	8 400	4 200	950	24 900
	>4 - ≤ 5 years	50	7 000	7 900	5 000	1 300	21 300
	>5 years	20	700	3 700	7 600	2 000	14 100
	Total	440	18 700	20 000	16 800	4 300	60 200

Remarks Figures may not add up to total due to rounding. Values of one thousand or above are rounded to the nearest hundred and values below one thousand are rounded to the nearest ten.

Note Mainly applicants under the Single Elderly Persons Priority Scheme.