

Report on the Review of Domestic Rent Policy

Summary of Recommendations



A New Rent Adjustment Mechanism

- The Housing Authority (the Authority) should develop an income index tracking the movement in public rental housing (PRH) tenants' household income to guide future rent adjustments.
- The same income index should also be applied to guide the adjustments of the “best rent” for newly completed PRH estates.
- The Authority should adjust the existing PRH rent as well as the “best rent” for newly completed estates to provide an appropriate starting point for the proposed rent adjustment mechanism to operate fairly and effectively. Consideration could be given to determining the new rent level with reference to the extent of changes in the income index since 1997, i.e., an across the board rent reduction of 11.6%.
- Legislative amendments to the Housing Ordinance should be introduced to remove the statutory median rent-to-income ratio (MRIR) cap to enable proper operation of the new rent adjustment mechanism.
- Should statutory effect be given to the new rent adjustment mechanism, the legislation should only set out the broad principles that PRH rent would be adjusted according to the changes in the proposed income index.
- For compiling the income index, the Authority should operate its own system to collect more reliable household income data through a mandatory declaration system. Consideration could also be given to engaging an independent party to compile the income index.

Measure of Affordability

- The MRIR should continue to be used as an affordability indicator but not a mechanism to determine rent adjustments. Legislative amendments should be introduced to remove the provisions concerning the MRIR from the Housing Ordinance.
- The assessment of the MRIR should be improved by –
 - the Authority collecting income data from sampled households through a mandatory declaration system; and
 - excluding both Comprehensive Social Security Assistance households and additional-rent payers from the MRIR calculation.
- Rates and managements fees should continue to be included in the MRIR calculation.
- The Authority should continue to adopt the MRIR benchmarks of 15% and 18.5% for the respective allocation standards of 5.5 m² IFA and 7 m² IFA per person.



Differential Rent

- The idea of differential rent should not be pursued.
- The Authority should consider offering four to six months' rent-free period for tenants moving to units which have been vacant for 12 months or above. It should commission further study to map out details of the scheme.



Rent Fixing and Review Cycles

- The current arrangement of having two rent fixing exercises for newly completed estates every year should be maintained.
- A biennial rent review cycle should be adopted. Suitable amendments to the Housing Ordinance will be required to enable the introduction of a biennial rent review cycle.
- The rent of all PRH units should be reviewed in one go.

Exclusive vs Inclusive Rent

- The Authority should continue to collect rent inclusive of rates and management fees.
- The Authority should issue an annual statement to tenants setting out the amount of rates and management fees included in the latter's rental payment to enhance transparency.



Fixed-Term Tenancy

- The Authority should continue to adopt a system of monthly tenancy.
- The issue of perpetual stay in PRH by tenants who are no longer in need of housing subsidies should be dealt with more effectively through a review of the Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources.

Relationship between Flat Size, Rent and Tenants' Affordability

- The Authority should follow the established allocation standards as far as possible.
- The flat mix of new PRH projects should match as far as possible the household size of future tenants, and should be reviewed and adjusted as necessary.



Rent Assistance Scheme

- The Authority should step up publicity on the Rent Assistance Scheme.
- More detailed guidelines should be drawn up for frontline staff to follow, particularly concerning when and how the requirement to move to flats with lower rents should be applied.