LegCo Panel on Housing

Review of the Income and Asset Limits
<u>for Public Housing Applicants</u>

Response to comments/suggestions raised by Members at the meeting held on 3 December 2001

(a) *Anticipated increase in burden of rent on existing public rental housing (PRH) tenants if the income and asset limits for Waiting List (WL) is to be reduced by 17%.*

- There is no direct correlation between the WL income and asset limits and the amount of rents payable by PRH tenants. Changes in the WL income limits may, however, affect the number of tenants caught under the Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Housing Resources.

- Should the WLILs be reduced according to the existing formula (by about 2% to 17%), it is estimated that the number of additional rent paying households (i.e. households who are required to pay 1.5 to 2 times of the net rent plus rates or market rent) will increase by about 7,000 from the present figure of 14,000 to about 21,000.

- Taking 4-person households as an example, it is estimated that the WL income limit would be reduced to about $14,000 under the existing formula. Only those households with income over $28,000 and $42,000 would be required to pay 1.5 and 2 times of the net rent plus rates respectively.

(b) *To consider using the median instead of the lower half expenditure group of tenant households in private permanent housing and all households in private temporary housing to work out the average non-housing expenditure*

- The target groups of PRH are the low-income private tenant households and those living in temporary housing. Their expenditure patterns are used to derive the WL income limits. It is not appropriate to include the expenditure patterns of those households who are able to afford private housing in assessing the non-housing expenditure of the target groups of PRH.

- Using the median instead of the lower half expenditure group as suggested would result in large increases in the WL income limits (rough estimation shows that the limits for singletons to 4-person households could increase by some $3,000 to $4,000 as a result). The number of private non-owner occupied households with income within the WL income limits would be significantly increased by about 45,000 to 160,000.

- It is also worth noting that the HA only relaxed the formula for calculating the non-housing expenditure recently. Prior to 1997, we used the average expenditure of the lowest one-third expenditure group to work out the average non-housing expenditure. The HA relaxed the criteria in 1997 to make reference to the lower half expenditure group.

(c) To consider using different average non-housing expenditure per person for working singletons and elderly singletons who were not working

- The objective of setting the WL income limits is to identify those who are in genuine need of public housing assistance. Both the elderly and non-elderly singletons are our target groups for PRH. Reference is thus made to their general expenditure pattern as a whole when deriving the relevant WL income limit.

- It should also be noted that according to the latest Household Expenditure Survey, the average non-housing expenditure for singletons living in rental accommodation in the private sector has increased by some 40% from $2,600 last year to $3,700 as at the third quarter of 2001. This, we believe, was partly attributable to the HA's efforts in rehousing the low income elderly singletons to PRH over the past years.

- Under the circumstances, there does not seem to be enough justification to adopt different non-housing expenditure for working singletons and non-working elderly singletons in setting the WL income limit.

(d) *To consider including an element of "contingency money" in the income and asset limits*

- The average non-housing expenditure for setting the WL income limits are derived from the findings of the Household Expenditure Survey (HES) conducted by the Census and Statistics Department. The HES covers a wide variety of expenditure items ranging from basic necessities such as food, clothing, transportation, etc. to non-essential items such as purchase of wine, cigarette, package tour, jewellery, etc. On average, the expenditure on the "non-essential" items account for about 10% of the total non-housing expenditure of our reference group in deriving the WL income limits (i.e. low-income private tenant households and households living in temporary housing). The current formula has therefore already provided for an element of "contingency" for the purchase of "non-essential" items.

- It should also be noted that our calculation of housing expenditure is based on the cost for renting a private residential flat which is as large as a typical PRH unit. Since in reality very few low-income households would rent such large accommodation in the private sector, we have assumed a much higher housing cost than what the target households of PRH would actually spend. Again, in our calculation of housing expenditure, a certain element of "contingency" has also been assumed under the present formula.

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Housing Department
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