

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

Deferral of New Additional/Market Rent Payment

PURPOSE

To seek Members' approval to defer the implementation of **new** additional/market rent^(Note 1) payable on 1 April 1998 by tenants affected by the 1997/98 Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA) exercises.

BACKGROUND

2. It is the existing practice under the HSP and SRA to review the rent level payable by tenants at a two-year interval. Accordingly, tenants with income/assets value exceeding the prescribed Subsidy Income Limits/Net Assets Limits after the review in April 1997 are required to pay additional/market rent with effect from 1 April 1998.

HOUSING (AMENDMENT) ORDINANCE 1997

3. The Chief Executive in Council on 6 January 1998 decided to accept the limit that rents for public housing should be capped at 10 % MRIR and to withdraw the proposal to replace the three-year rent review cycle prescribed by the Housing (Amendment) Ordinance 1997 (the Amendment Ordinance) by a two-year one.

^(Note 1) The rent level payable by affected tenants on 1 April 1998 will be increased to a higher level of 1.5 times/doubling the existing rent or market rent.

HOUSING AMENDMENT BILL 1998

4. However, in order to minimize the operational difficulties and legal ambiguities created by the implementation of the Amendment Ordinance, a Housing (Amendment) Bill 1998 (the Amendment Bill) was introduced on 9 January 1998 . One of the provisions is to exclude from the three-year rent review arrangement better-off tenants who are required to pay additional or market rent and beneficiaries of the Rent Assistance Scheme.

5. While awaiting the enactment of the Amendment Bill, the Department has identified the following implications in connection with the implementation of the HSP and SRA exercises.

OPERATIONAL IMPLICATIONS

6. Tenants who are required to pay additional rent on 1 April 1998 under the 1997/98 HSP exercise would have to be notified of the payment details before 1 February 1998, i.e. at least two months before the new rent takes effect. The same notice would also apply to tenants required to pay market rent on 1 April 1998 under the 1997/98 SRA exercise. (Papers No. MOC 7/87 and MOC 104/96 are relevant). As the enactment of the Amendment Bill is pending at this stage, it is not certain whether new rent payment may be effected on 1 April 1998, and if yes, whether it is possible to serve the required notification on the affected tenants on time.

FINANCIAL IMPLICATIONS

7. If the Amendment Bill is not enacted on time, it may be necessary to defer the implementation of the new additional/market rents. By so doing, the amount of rent forgone would be roughly in the region of **\$8.87 M** per month based on the following broad assumptions -

- (a) Additional/market rents received between August to October 1997, on pro rata basis.
- (b) 8.5%^(Note 2) of the tenants affected by the 1997/98 HSP exercise are required to pay new additional rent of \$7.79 M per month w.e.f. 1 April 1998.
- (c) 44%^(Note 3) of the tenants affected by the 1997/98 SRA exercise are required to pay market rent w.e.f. 1 April 1998, generating an additional rental income of \$1.08 M per month.
- (d) The Amendment Bill does not have a retrospective effect that enables HA to re-coup the rent forgone prior to its coming into effect.

RECOMMENDATIONS

8. In order not to affect the implementation of the HSP and SRA, we propose -

- (a) To give not less than two months' prior notice to the tenants affected by the 1997/98 HSP/SRA exercises details of the **new** additional/market rents payable immediately after the Amendment Bill is enacted and becomes operational.
- (b) To maintain the biennial review cycle of HSP/SRA according to the established implementation schedule i.e., the next cycle of review will commence on 1 April 1999 and the date when new additional/market rents become payable will remain on 1 April 2000.

9. We consider it appropriate to maintain the effective date of payment on 1 April 1998 for those tenants who, after the review under the 1997/98 HSP/SRA exercise, are required to pay additional rent **at no variation of rent level**^(Note 4), following a two months' prior notice given on 1 February 1998.

^(Note 2) Figures projected from the number of additional rent payers in the last year HSP exercise.

^(Note 3) Rounded up figures basing on provisional data as at 5 January 1998.

^(Note 4) The rent level payable by affected tenants before and after 1 April 1998 remains at double or 1.5 times net rent plus rates.

PUBLIC REACTION AND PUBLICITY

10. The HA's decision to defer the implementation of **new** additional/market rent on affected tenants from 1 April 1998 to a date after the enactment of the Amendment Bill is in line with the previous approach adopted in dealing with the Housing (Amendment) Ordinance. Relevant notification letters explaining the arrangement will be issued to tenants concerned as soon as possible.

PRESUMPTION

11. It is not thought that Members will object to the proposal in paragraph 8 of this paper. If no objection or request for discussion is received by the Committees' Secretary **by noon on 27 January 1998**, Members' approval will be presumed and appropriate action taken.

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c.c. Members of the Rental Housing Committee

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Date : 23 January 1998

