

## **THE HONG KONG HOUSING AUTHORITY**

### **Memorandum for the Subsidised Housing Committee**

#### **Public Rental Housing Allocation Plan for 2006/07**

#### **PURPOSE**

This paper informs Members of the actual results of public rental housing (PRH) allocation in 2005/06, and seeks Members' approval of the allocation plan for 2006/07.

#### **ALLOCATION PRINCIPLES**

2. The key objective of our annual allocation planning is to maximize rational allocation of valuable public housing resources. The planning involves first making a projection of the PRH supply in the new year, and then assessing the anticipated demands under various rehousing categories. In drawing up the allocation plan, we will ensure the following practice/pledge/key performance indicators (KPIs) are met –

- given the large number of applicants in the Waiting List (WL), we would try to allocate as much of the year's available flats as possible to this category (not less than 20 000 allocations in the past few years) subject to the PRH supply and other competing demands;
- our pledge on the Average Waiting Time (AWT) of around 3 years;
- our KPI on the number of vacant flats (currently not exceeding 1.5% of our total PRH stock); and
- our KPI on the number of overcrowded households (currently not exceeding 1% of our total PRH households).

The annual allocation plan as approved by Members serves as a guiding framework for our allocation work in the year. Actual allocation results which

reflect actual demands/changing circumstances will be reported to Members at the end of the year.

## **AN OVERVIEW OF THE ALLOCATION WORK IN 2005/06**

3. At the meeting held on 26 May 2005, Members approved vide Paper No. SHC 35/2005 the allocation framework for letting 33 000 PRH flats in 2005/06. As at end March 2006, we made a total of 41 037 lettings, exceeding the planned allocation by 8 037 flats or 24.4%. A more detailed summary of the allocation results in 2005/06 is at **Annex A**. The extra lettings resulted mainly from a greater number of refurbished flats having been recovered from sitting tenants through transfer arrangements or surrender of tenancy, as well as from the slippage in handover of some newly completed PRH flats from 2004/05 to 2005/06.

### **Waiting List**

4. Of the 41 037 lettings in 2005/06, 27 011 flats (65.8%) were let to WL applicants, exceeding the planned allocation of 20 600 flats for this category by 6 411 flats or 31%. This increase is attributable to the fact that the majority of the extra refurbished flats recovered as mentioned in paragraph 3 above were let to applicants of this category. As at end March 2006, the number of live applications on the WL was 97 402 (including 36 942 non-elderly single-person applicants), representing an increase of 6.5% against 91 415 applications as at 31 March 2005.

### **Rehousing arising from Clearance**

#### *Squatter Clearance*

5. Of the 400 flats set aside for Squatter Clearance, only 162 flats were actually taken up by clearerees. This is mainly due to the re-scheduling of some planned clearance projects by the Government. Other factors contributing to the low consumption of the quota are the preference of some clearerees for cash allowance over rehousing, and some clearerees having already been rehoused through the Anticipatory Housing Scheme<sup>1</sup>.

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<sup>1</sup> Under this scheme, clearerees holding valid WL applications are given priority access to public housing ahead of the clearance operation.

### *Urban Renewal Authority Clearance*

6. Since 2002/03, a maximum provision of 1 000 flats per annum has been planned for rehousing clearerees of the Urban Renewal Authority (URA) in accordance with the Memorandum of Understanding<sup>2</sup> entered into between the URA and the Housing Authority (HA) in June 2002. In 2005/06, only 216 flats were consumed against the planned 600 flats. The low consumption of the quota is mainly due to the adjustment of clearance schedule by URA, and to the non-availability of PRH resources in certain districts, which had prompted those clearerees who preferred local rehousing in the same districts to opt for cash compensation offered as an alternative to rehousing by the URA.

### **Comprehensive Redevelopment and Major Repairs**

7. As at end March 2006, 2 084 flats were allocated under this category against the target provision of 2 800 flats for Wong Chuk Hang Estate tenants. Another 231 flats are being offered to these tenants awaiting completion of letting formalities.

### **Overcrowding Relief and Transfers**

8. Members endorsed in November 2005 our proposal to give eligible applicants in the Territory-wide Overcrowding Relief (TWOR) exercise with over 10 years of residence the choice to move to any geographical district. In the TWOR exercise subsequently held in December 2005, 146 applicants out of 659 have been confirmed to be eligible for this new arrangement.

9. Including the transfers mentioned in paragraph 8 above, a total of 9 066 flats were allocated in 2005/06 under the Overcrowding Relief and Transfers category against the target of 5 000 flats. The increase in allocation under this category is mainly due to the delayed handover, from 2004/05 to 2005/06, of newly completed PRH flats in Kwai Chung Estate and Lei Muk Shue Estate, which led to a corresponding deferment of the transfer of tenants to these estates. A total of three TWOR and four transfer exercises were conducted in 2005/06. Of the 9 066 flats let, 1 290 were taken up by overcrowded families. The remaining 7 776 flats were taken up by tenants seeking to improve their living standard (3 639 flats) or on medical and social grounds (4 137 flats).

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<sup>2</sup> Under the Memorandum of Understanding, the URA shall pay to the HA reservation fees equivalent to the monthly rentals payable for the flats reserved.

10. In consequence of these exercises and other redevelopment initiatives, the total number of overcrowded households is reduced from 6 366 as at 31 March 2005 to 5 103 as at 31 March 2006, or 0.8% of total PRH households, which is in line with our pledge of below 1.0%. **Annex B** gives more details on the progress made on overcrowding relief in the past years.

#### *Living Space Improvement Transfer Scheme*

11. Members endorsed in November 2005 a new Living Space Improvement Transfer Scheme (LSITS) on top of the existing transfer schemes, for providing more transfer opportunities for non-overcrowded households. Under this new scheme, PRH households living below 7 m<sup>2</sup> (internal floor area) per person may apply for transfer to a larger flat, and eligible applicants with over 10 years of residence are allowed to apply for transferring to any geographical district of their choice.

12. Launched in January 2006, the first LSITS attracted 3 989 applications of which 1 533 are found eligible for cross-district transfer. Flat selection for these eligible applicants will commence around late May 2006.

#### *Express Flat Allocation Scheme*

13. To allow fast-track access to PRH by WL applicants who wish to be re-housed promptly, and to improve the letting rate of less popular flats, we conducted an Express Flat Allocation Scheme (EFAS) exercise in May 2005, which attracted 16 486 applications. 5 706 flats including 1 942 flats converted from Interim Housing (IH) were made available for letting under the scheme. Applicants made a total of 4 059 flat selections, and 2 283 flats were successfully let, including 1 039 flats in Po Tin Estate and Tin Yan Estate converted from Interim Housing (IH), and 159 Housing for Senior Citizens (HSC) flats. We will continue the EFAS in 2006/07 and will review its operation with a view to improving its effectiveness.

#### **Compassionate Rehousing**

14. Upon the recommendation of the Social Welfare Department, a total of 1 564 flats were allocated to cases under the “Compassionate Rehousing” category. This represents a utilization of 78.2% of the target allocation of 2 000 flats. Some 350 cases are under processing for either fresh or further rounds of allocation.

## **Junior Civil Servants and Pensioners**

15. A total of 850 flats were allocated under the “Junior Civil Servants and Pensioners” category in 2005/06, consuming 56.7% of the approved quota of 1 500 flats. Another 68 flats are under offer. Allocation is ongoing against the remaining unused quota.

## **Vacancy Rate and Average Waiting Time**

16. As at 31 March 2006, the number of lettable vacant flats stood at 9 534. Against our total PRH stock of 672 721 flats, this represents a vacancy rate of 1.4% which is consistent with our pledge of below 1.5%.

17. We have continued to out-perform the pledge of maintaining the AWT for PRH at around 3 years for family applicants and 2 years for single elderly applicants. As at 31 March 2006, the AWT is 2.0 years for family applicants and 1.2 years for single elderly applicants.

## **PROPOSED ALLOCATION PLAN FOR 2006/07**

18. The supply of PRH for 2006/07 comprises new production and refurbished flats. The forecast on the number of new flats available for allocation in the year is based on the March 2006 edition of the Public Housing Construction Programme and includes vacant new flats brought forward from last year. For refurbished flats, the forecast is based on the stock in hand together with those likely to become available in the year due to various reasons, including voluntary surrender, termination of tenancy, transfer to new flats, and purchase of HOS/PSPS flats from secondary market etc.

19. We estimate that there will be a total supply of 29 700 flats for allocation in 2006/07, including 8 400 new flats and 21 300 refurbished flats. Compared with last year’s planned allocation of 33 000 flats, there will be 3 300 lettings less (or 10%). Details of new PRH flats available for intake in 2006/07 are at **Annex C**.

## **Clearance**

20. Taking into consideration anticipated demand, we propose to allocate 200 flats for clearance and another 50 flats for the trawling of IH. The URA has advised that 150 flats are required for rehousing residents affected by their projects. The total planned provision under this category is 400 flats.

## **Comprehensive Redevelopment and Major Repairs**

21. Due to the delayed completion of Shek Pai Wan Redevelopment Phase 2 which is the reception estate for Wong Chuk Hang Estate redevelopment, the evacuation date for Wong Chuk Hang Estate has been rescheduled beyond March 2007. In 2006/07, we shall allocate 1 500 flats for the redevelopment of Shek Kip Mei Estate Phases 5 & 6 and for early thinning-out of tenants in So Uk Estate which will be cleared in a few years' time. Setting aside another 100 flats for tenants affected by major repairs, a total of 1 600 flats is planned under this category.

## **Waiting List**

22. As in the past few years, we propose to give the WL category the biggest share of the year's allocation, and a total of 20 000 flats is proposed for 2006/07, representing 67.3% of the year's provision. The reduction of 600 flats or 2.9% in comparison with 2005/06's planned allocation of 20 600 flats is mainly the result of reduced production of new PRH flats in 2006/07 partly offset by an increase in the number of refurbished flats available for allocation.

### *Non-elderly One-person Sub-group*

23. In accordance with Paper No. SHC 58/2005 on the Review of Allocation Policy for Non-elderly One-person Applicants, the annual allocation quota for non-elderly one-person WL applicants will be around 1 000 to 2 000 flats. Analysis of past allocation records shows that, over the 10-year period from 1995/96 to 2004/05, the average percentage of flats allocated to non-elderly one-person applicants on the WL is about 8% of the total number of flats allocated to WL applicants. Hence, we propose to set the annual allocation quota for non-elderly one-person WL applicants at 8% of the number of flats to be allocated to WL applicants subject to a ceiling of 2,000 flats. For 2006/07, the quota would be 1 600 (i.e. 8% of 20 000 units). Apart from applying through the Quota Point System, non-elderly one-person applicants can also get access to PRH through EFAS, as discussed in paragraph 13 above.

### *Relaxation on Choice of Urban District*

24. To balance the supply and demand of PRH flats in the Urban District (UB), new WL applicants (except those under the Elderly Priority Scheme) are not allowed to choose UB as their district for allocation. This policy was first implemented in 1990 (Paper No. MOC 150/90 refers), and thereafter ad hoc relaxations were made from time to time to allow applicants registered on the WL

before certain dates and whose district of choice was not UB to opt for UB, when there were anticipated vacant flats in UB surplus to requirements.

25. As at 31 March 2006, 13 060 WL applications were queuing for PRH in UB. Of these, 3 260 cases have been confirmed to be eligible and are awaiting allocation. The remaining 9 800 cases are mainly elderly applicants who demand small flats (which are generally in short supply in UB), or cases not yet eligible for allocation for various reasons. Therefore, the eligible UB WL applications available are unlikely to consume the anticipated supply of about 16 700 flats in UB in the coming three years from 2006/07 to 2008/09.

26. To address the mis-match between anticipated UB PRH supply and demand, we propose to invite in mid-2006 WL applicants registered before 1 October 2004 (i.e. with application number at or before G1144910/ U153087) to switch their choice of district to UB if they so wish, thereby generating more demand<sup>3</sup> for UB PRH flats.

### **Compassionate Rehousing**

27. We propose to maintain the yearly allocation for compassionate rehousing at 2 000 flats. Additional flats will be made available to meet extra demand, if required.

### **Overcrowding Relief / Transfers**

28. As at 31 March 2006, the number of overcrowded households dropped to 5 103 as already explained in paragraph 10 above. Despite this improvement, we propose to provide 2 000 flats for overcrowding relief in 2006/07. We further propose to set aside 3 000 flats, together with any unconsumed quota for overcrowding relief, for transfers (including LSITS) in 2006/07. We will closely monitor the situation and flexibly deploy the total quota of 5 000 flats under this category to meet changing circumstances.

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<sup>3</sup> The proposed relaxation will enable a total of some 28 000 WL applicants becoming eligible for UB PRH flats, and past experience shows that around 50% of these applicants will opt for the change.

### **Junior Civil Servants and Pensioners**

29. Processing of applications under this category for the quota in 2005/06 is still ongoing, and flat allocation will continue in 2006/07. We propose a quota of 700 for 2006/07 for this category.

30. In addressing Members' concerns during consideration of last year's allocation plan on 26 May 2005, we advised that we were reviewing with the Civil Service Bureau on whether the existing arrangement to set aside a quota for junior civil servants and pensioners should be adjusted in the long run. We will report the outcome of the review in a separate submission.

### **RECOMMENDATION**

31. In summary, the proposed PRH allocation plan for 2006/07 is as follows –



Rehousing Category	Approved Allocation in 2005/06	Actual Flats Allocated in 2005/06	Proposed Allocation for 2006/07	
				%
1. CLEARANCE				
(a) Squatter Clearance	400	162	200	0.7
(b) Urban Renewal Authority	600	216	150	0.5
(c) IH Trawling	100	40	50	0.2
2. COMPREHENSIVE REDEVELOPMENT & MAJOR REPAIRS	2 800	2 084	1 600	5.4
3. WAITING LIST	20 600	27 011	20 000	67.3
(a) Non-elderly One-person applicant			(1 600)	(5.4)
(b) Others			(18 400)	(62.0)
4. COMPASSIONATE	2 000	1 564	2 000	6.7
5. TRANSFER	5 000	9 066	5 000	16.8
(a) Overcrowding Relief	(1 000)	(1 290)	(2 000)	(6.7)
(b) Transfers	(4 000)	(7 776)	(3 000)	(10.1)
6. EMERGENCY	-	44	-	-
7. JUNIOR CIVIL SERVANTS & PENSIONERS	1 500	850	700	2.4
<b>Total</b>	<b>33 000</b>	<b>41 037</b>	<b>29 700</b>	<b>100</b>

32. To maximize utilization of PRH resources, we recommend to relax the restriction on choice of district, allowing WL applicants already registered before 1 October 2004 (i.e. with application number at or before G1144910/U153087) to switch their choice of district to UB, as detailed in paragraphs 25 and 26 above.

## **PUBLICITY**

33. We will publish the approved allocation plan for 2006/07. We will explain that the allocation plan is set having regard to anticipated supply and demand for PRH for various categories of applicants in the coming year. We will closely monitor any change in circumstances and will make every effort to keep to our pledge to maintain the average waiting time at around three years.

## **DECLASSIFICATION**

34. We recommend that this paper be declassified upon Members' approval of the recommendations in paragraphs 31 and 32 above. The paper will be made available to the public at the HA website, the Department's Library and through the Departmental Access to Information Officer if it is declassified.

## **DISCUSSION**

35. At the meeting of the Subsidised Housing Committee to be held on 25 May 2006, Members will be invited to approve –

- (a) the PRH allocation plan for 2006/07 (paragraph 31);
- (b) the relaxation of the restriction on choice of UB district for certain WL applicants (paragraph 32); and
- (c) the declassification of the paper (paragraph 34).

Miss Elisa TSUI  
Secretary, Subsidised Housing Committee  
Tel. No. : 2761 6834  
Fax No. : 2761 0019

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(Corporate Services Division)  
Date : 19 May 2006

**Public Rental Housing Allocation for the year 2005/2006  
for the period of 1.4.2005 – 31.3.2006**

Rehousing Category	Approved Quota in 2005/06	Flats Allocated		Total	%
	(a)	New	Vacated		
1. CLEARANCE		(b)	(c)	(d) = (b) + (c)	
(a) Squatter Clearance	400	41	121	162	0.4
(b) Urban Renewal Authority	600	166	50	216	0.5
(c) IH Trawling	100	34	6	40	0.1
2. COMPREHENSIVE REDEVELOPMENT & MAJOR REPAIRS	2 800	1 977	107	2 084	5.1
3. WAITING LIST	20 600	17 055	9 956	27 011	65.8
4. COMPASSIONATE	2 000	2	1 562	1 564	3.8
5. TRANSFER	5 000	4 287	4 779	9 066	22.1
a) Overcrowding Relief	(1 000)	(555)	(735)	(1 290)	(3.1)
b) Transfers	(4 000)	(3 732)	(4 044)	(7 776)	(18.9)
6. EMERGENCY	-	3	41	44	0.1
7. JUNIOR CIVIL SERVANTS & PENSIONERS	1 500	611	239	850	2.1
<b>Total</b>	<b>33 000</b>	<b>24 176</b>	<b>16 861</b>	<b>41 037</b>	<b>100</b>

## Territory-wide Overcrowding Relief (TWOR) Exercises

### Background

Year	No. of Overcrowded Households	No. of TWOR Exercises Launched	No. of Applications Received for the Year	No. of Flats Pooled for Selection	No. of Overcrowded Households Successfully Housed through TWOR
2001/02 (1.6.2001)	16 202	2	5 370	6 149	1 900
2002/03 (1.4.2002)	11 960	2	3 430	5 032	1 808
2003/04 (1.4.2003)	8 500	3	3 127	4 237	855
2004/05 (1.4.2004)	7 163	2	1 753	3 159	875
2005/06 (1.4.2005)	6 366	3	2 110	4 187	1 072

1. The TWOR was endorsed by the then Rental Housing Committee (RHC) (Paper No. RHC 9/2001 refers) and was first launched in June 2001.
2. To date, a total of twelve TWOR exercises were launched and the no. of overcrowded households has decreased from 16 202 (as at 1.6.2001) to 5 103 (as at 31.3.2006).
3. The 12<sup>th</sup> TWOR Exercise was launched in December 2005 and no. of applications received was 659. 386 flats were selected by the applicants and 159 housed as at 31.3.2006.

### Possible Reasons for Reduced Applications for Overcrowding Relief

4. There are other avenues for overcrowding relief such as external transfer, internal transfer and special transfer.
5. Majority of the overcrowded households prefer rehousing locally, which may not be possible in some districts.
6. Some overcrowded households would only opt for transfer upon family reunion, while others have family members, children in particular, living in China and are overcrowded on paper only.
7. Other reasons include not being able to fulfill the basic eligibility criteria for TWOR or afford relocation to new flats.

**Supply of New Flats for Public Rental Housing Allocation in 2006/07  
(Based on Public Housing Construction Programme of 3/2006)**

**New production runs from 4/2006 to 1/2007** <sup>Notes</sup>

<u>Projects</u>	<u>Anticipated Completion Date</u>	<u>No. of Flats</u>
1. Fanling area 36 Ph. 3 (Ching Ho Estate)	04/2006	2 397

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**sub-total** **2 397**

**New flats carried over from 2005/06**

1. Shek Kip Mei Estate Ph. 1, Blocks 1 & 2 (completed in March 2006)	2 033
2. New flats in other estates not yet allocated for various reasons	3 970

**sub-total** **6 003**

**Total :** **8 400**

Notes (1) Period of supply of new production runs from 4/2006 to 1/2007, beyond which any new flats completed can only be for allocation in the following year.

(2) Lei Yue Mun Ph. 2 (799 flats), Shek Lei Ph. 10 (1 598 flats) and Shek Pai Wan Redevelopment Ph. 2 (2 398 flats) scheduled for completion in 03/2007 are excluded due to the requirement of about 2 to 3 months lead time in taking over/letting of flats.