A Review of Public Housing Allocation Policies A Consultative Document

Hong Kong Housing Authority

26th April, 1984

CONTENTS

Chapter 1 Introduction

Chapter 2 Public Housing for Small Households

Chapter 3 Long Term Rehousing of Squatters and THA Residents

Chapter 4 Well-off Tenants in Public Housing Estates

Chapter 5 Measures to Promote Home Ownership

Chapter 6 Addition of Married Children and Families

Chapter 7 Overall Implications on Housing Demand

Chapter 8 Conclusion

Appendix 1

1. INTRODUCTION

The purpose of this document is to seek public views and comments on various aspects of public housing allocation policies which have been the subject of a recent review. Under the Housing Ordinance the Housing Authority is responsible for the formulation of housing policy. The review has been presented to the committees of the Housing Authority for consideration, but no decisions have been taken.

2. The Authority decided that there should be a period of consultation with the public before it decides whether there should be any changes in policy. At this stage, the Housing Authority would like to consult the public on principles only; details of the implementation of the principles will be considered by the Housing Authority if changes of policy are decided upon. This period of consultation will last until early June, after which public opinion expressed on matters raised in the review will be put to the Housing Authority and its committees for consideration. In the light of these comments they will then decide on whether firm recommendations on suggestions made in the review should be put forward to the Government.

3. At present, over 2.4 million people or 45% of the Hong Kong population are living in public housing, and each year
170,000 to 180,000 people are allocated new public housing. The actual allocation in 1983/84 and the proposed allocation for 1984/85 are shown in Appendix 1. The present annual capital expenditure on public housing exceeds $3,700 million which is about one-third of the total Government expenditure on capital works. This is a very high proportion bearing in mind competing priorities from other Government programmes. 4. Under the current construction programme, public housing units are completed at an average rate of 100 flats per day. In fact, public housing production has increased from 8,170 flats in 1973/74 to 38,680 in 1983/84. For four successive years, annual public housing production has exceeded the target of 35,000 flats - comprising about 30,000 rental flats and 5,000 Home Ownership Scheme (HOS) flats. This overall target will be increased to 40,000 in 1985/86 with the addition of 5,000 flats for sale under the Private Sector Participation Scheme (PSPS) (Footnote 1).

5. Significant improvements have also been made to the design of public housing and to the standard of finish. Modern public housing estates are designed with a full range of facilities including commercial centres, recreational facilities, transport, welfare centres, schools, kindergartens, etc., so that residents have not only good homes to live in but are able to obtain all their daily necessities within walking distance.

6. Public housing policies are kept under regular review, and current policies have evolved over time to meet the many housing needs of the community. The latest policy review has adopted a different approach, i.e. that a general examination of the main policy areas has been conducted taking into account rising expectations, demographic changes and the needs of households still living in squatter areas and other unsatisfactory housing. A stabilisation of population growth and the sustained and increasing level of public housing production have provided a firm basis on which positive changes to current policies could be considered. 7. The general policy review has covered several areas and proposals have been considered in respect of:

(A) Public Housing for Small Households;
(B) Long Term Rehousing of Squatters and THA Residents;
(C) Well-off Tenants in Public Housing Estates;
(D) Measures to Promote Home Ownership;
(E) Addition of Married Children and Families.

2. PUBLIC HOUSING FOR SMALL HOUSEHOLDS

Background and Existing Policy

8. The traditionally accepted principle in the allocation of public housing in Hong Kong is that larger families have a greater housing need and should be given higher priority for allocation of public housing. Over the years, the minimum household size required of public housing applicants has been reduced progressively to three. At present, both public rental and home ownership flats are designed for households with three or more persons, and there is still a very large demand from these households; for example, of the 160,000 applicants on the Waiting List for Public Housing, some 140,000 are from households of three or more. Exceptionally, single people and two-person households (referred to as 'small households' below) can obtain public housing on elderly, compassionate and other grounds as follows:

(a) Two-person households living in public rental housing can apply for home ownership flats, whereas those living in private housing cannot.
(b) Two-person households (with one member aged 60 or above) and single people over 60 can obtain public rental housing on a sharing basis through the Waiting List. These applicants wait for a maximum of two years.
(c) Small households can obtain public rental housing on special social or medical grounds under the compassionate housing programme on the recommendation of Social Welfare Department.
(d) Similarly, small households who are disaster victims or clearances can obtain permanent rehousing on elderly or...
(e) Single people and two-person households affected by the redevelopment of Mark I and 11 public housing estates are offered alternative accommodation. In the case of single persons shared accommodation is most usually offered.

Apart from these limited circumstances, all other single people and two-person households who are found to be homeless e.g. clearers and disaster victims, can either opt for ex-gratia compensation or temporary housing. In the case of singletons, they only qualify for hostel accommodation in THAs.

**Policy Considerations**

9. The present policy means in effect that able-bodied single people and couples who do not qualify under the above have to make their own housing arrangements. At present, there are about 161,800 single people which constitute 12% of the total number of households in Hong Kong; this is expected to increase to 13% in 1988 and 14% in 1993. The number of two-person households in 1983 is 204,200 which represents 15% of all households; this is expected to increase to 18% in 1988 and 20% in 1993. Their income distribution is as follows:

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>Single People (%)</th>
<th>Two-person Household (%)</th>
<th>Households with Three or More Persons (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1,000</td>
<td>32</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>$1000-$1999</td>
<td>24</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>$2000-$2999</td>
<td>18</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>$3000-$4000</td>
<td>9</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Above $4000</td>
<td>17</td>
<td>43</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


About 16% of the single people and 13% of two-person households are living in temporary structures.

10. It can be argued that because single people and two-person households are citizens of Hong Kong, and that the Hong Kong Government actively promotes family planning, such households should not be denied the opportunity of obtaining permanent public housing if they are eligible in terms of all other Waiting List criteria.

**Options**

**Home Ownership Flats**

11. The aspiration for home ownership has increased significantly in recent years and it is very common for couples to purchase their own homes. However, many two-person households still cannot afford to buy flats on the open market. At present, two-person households in public housing estates are eligible to apply for HOS flats. It is for consideration whether this rule can be extended to two-person households at present living in private housing or squatter huts. The definition of two-person households could be extended not only to apply to married couples without children, but also to two closely related members of the same family.

12. HOS flats are not designed, nor are they intended, for single people. The allocation of HOS flats to single people would represent an under-utilisation of public housing resources. Most single people are more mobile and can therefore move to the private sector for their housing accommodation.
13. One possibility is for two unrelated single people to buy a HOS flat in co-ownership. However, the right of survivorship or the transfer of interest among co-owners could create problems, thereby deterring such people from co-owning a HOS flat. In view of the legal complications in the conveyancing of title, and as in any event, there are likely to be very few purchases by such person, it appears inappropriate to sell HOS flats to single people.

**Public Rental Housing**

14. Since May 1977, married couples have been allowed to register on the Waiting List, but they will only be allocated public housing if a third person is added by the time their application is due. It is for consideration whether the addition of the third person should be dispensed with, and whether two-person households should be eligible for public rental housing. The same eligibility could be extended to households affected by clearances, fires and natural disasters. It is estimated that this would generate an additional demand for public rental housing of about 1,700 flats per annum which would be an acceptable additional demand in terms of current and future supply.

15. Demand for permanent public housing from **single people** would arise from:

(i) redevelopment, elderly and compassionate cases --- the former category includes about 3,500 singletons now residing in Mark I/II estates;

(ii) single people already living in temporary housing areas and hostels - of which there are about 16,000;

(iii) single people affected by clearances and natural disasters in future;

(iv) other single people living in private housing e.g. elderly applicants on the Waiting List and younger single people who wish to apply.

16. The capacity to provide public housing for single people in the years ahead would obviously depend on the priority given to this group in the housing programme in the light of the considerable demand for public housing from larger households. But the existing population of 19,500 single people in Mark I/II estates designated for redevelopment and temporary housing areas indicates that a start should be made to meet this eventual rehousing commitment. It is, therefore, for consideration whether the eligibility of single people for permanent public housing should initially only be extended to the first two priority groups in paragraph 15 above.

17. It is also for consideration whether the Housing Authority should build specially designed accommodation for single persons such as hostels. A possible layout plan is shown at Appendix II. Another method would be to partition suitable casual vacancies in the existing older rental estates into singleton housing units with shared toilets and cooking facilities. Preliminary assessments indicate that initially about 1,000 singleton housing units could be made available each year through casual vacancies. Such vacancies are expected to increase to over 2,000 units per annum with the addition of new production. Any change of policy to accommodate single persons in permanent housing would have no significant effect on the Waiting List as all such housing would be additional to presently planned flat production and be specifically designed for single persons.

**Temporary Housing**

18. In some cases, **two-person households** are already eligible for temporary housing units. Under existing policy, **single people** who are homeless (e.g. clearances and disaster victims), and who do not qualify for permanent public housing, are rehoused in hostels in THAs. If it is decided that single people should be provided with hostel rooms in permanent public housing, it is for consideration whether a similar degree of privacy should be provided in THA hostels.

**Summary**

19. The following is a summary of the points raised in this section:

(a) whether two-person households living in private housing should be allowed to apply for Home Ownership Scheme flats (paragraph 11);
(b) whether for the moment single people should not be eligible for Home Ownership Scheme flats in view of the reasons set out in paragraphs 12 and 13;

(c) whether two-person households as defined in paragraph 11 should be allocated small public rental flats (paragraph 14);

(d) whether single people should be made eligible for specially designed permanent public housing, and if yes, whether initially this eligibility should only be extended to those affected by redevelopment and those living in temporary housing areas (paragraphs 15 to 17);

(e) whether the type of temporary housing provided for single people should be modified to bring it into line with the type of permanent public housing to be provided (paragraph 18).

3. LONG TERM REHOUSING OF SQUATTERS AND THE RESIDENTS

20. This section deals with the overall question of long term rehousing of squatters and temporary housing residents. The inter-related aspects covered include:

(A) clearance of squatters outside development zones;

(B) eligibility criteria to be applied under the emergency and compulsory categories; and

(C) the residence qualification to be applied under the emergency and compulsory categories.

(A) Clearance of Squatters Outside Development Zones

Background & Existing Policy

21. It is estimated that there are about half a million persons living in squatter areas. Of these, 12% live in Hong Kong, 15% in Kowloon, 7% in Tsuen Wan area, 66% in the rest of the New Territories. Under present policy, large scale rehousing of squatters only occurs when a squatter area is cleared for development or following the occurrence of a natural disaster. Eligibility for permanent rehousing is assessed mainly according to two criteria:

(a) the squatter hut should be a 'tolerated' surveyed structure;

(b) the majority of the members of the squatter family should have ten years' residence in Hong Kong or are locally born.

These eligibility rules have evolved over time and are long-standing practices. In the past five years, an average of 60,000 squatters have been cleared annually, and projections are that about 70,000 will be cleared each year over the next five years. If this clearance figure is maintained, a very large proportion of squatters presently living in the urban areas will be cleared within the next five years.

Policy Considerations

22. Although the long term aim is to rehouse all squatters, there is no existing programme to clear squatter enclaves outside development areas. Of these, squatters on slopes which are more vulnerable to the forces of nature pose a special problem, since many of these slopes lie outside areas scheduled for development.

23. Purely from an engineering point of view, the vast majority of squatter structures built illegally and without regard to technical standards could be considered potentially dangerous. This is particularly true of squatter huts on steep unstable slopes during times of heavy rainfall. There have been a number of serious landslips in the past with heavy casualties. Whilst measures can in some cases be taken to stabilise these slopes, this can be both time-consuming and costly. For example, under the Squatter Area Improvement programme, some $25 million per annum is spent in carrying out minor preventive works (of a safety-cum-first-aid nature) and providing some basic facilities. Conducting non-development clearances would reduce this commitment. Under current policy, squatter huts which are in imminent
danger are cleared and the occupants rehoused. In 1982/83, 400 public rental flats were used for this purpose.

Options

24. It is for consideration whether an expanded programme should be drawn up to clear and rehouse those currently living on slopes which are more prone to landslips. A preliminary estimate is that such a non-development clearance programme would involve about 54,000 people. On the assumption that squatter control continues to be effective and new squatter huts are quickly demolished, and if the target is to clear all the squatters on more vulnerable slopes over a period of five years, a quota of approximately 1,000 flats each year would be required, whilst the additional temporary housing requirements would equate to some 3.6 hectares of land per annum. But an important factor in any such programme would be the availability of public housing in regions convenient for the rehousing of squatters. This factor may affect the completion date of the programme. Some of the slopes cleared under this programme will not be required for permanent development and steps will have to be taken to ensure that re-occupation of such sites is, prevented.

25. Even after completion of the non-development clearance programme and taking into account the on-going development clearance programme, a residue of squatter huts that are situated neither within development zones nor on steep slopes will remain. At that stage, consideration could be given to extending the non-development clearance programme to include these areas. However, it is envisaged that some squatter areas in the remote parts of the New Territories would remain in the foreseeable future.

(B) Eligibility criteria to be applied under the Emergency and Compulsory Categories

Background & Existing Policy

26. Under existing arrangements, as explained in paragraph 21 above, people made homeless under the compulsory and emergency categories (mainly clearers and disaster victims) are rehoused in permanent public housing provided they are genuine residents of legal buildings or surveyed squatter structures and satisfy the 10 year residence requirement. No income-testing is applied.

Policy Considerations

27. An analysis of a sample of 1,616 households involved in development clearances in 1981/82 reveals that some 25% were over the Waiting List income limits. If the Waiting List eligibility criteria were to be applied to those involved in development clearances and natural disasters, the allocation quota for the compulsory and emergency categories each year could be reduced by about 2,000 public rental units.

Options

28. It is for consideration whether squatter residents involved in development clearances and natural disasters should be income-tested by the Waiting List criteria. Income-testing of squatter residents involved in development clearances and natural disasters will mean that only those in greatest need of subsidized accommodation will be rehoused in public rental housing. 29. Since it is the Government's policy to provide a home for squatters involved in development clearances, an alternative to rental housing would be to allow those squatters who do not meet the Waiting List criteria to apply for HOS flats as "green form" applicants i.e. on par with public housing tenants. It is also for consideration whether such families should merit an ex-gratia allowance which can only be used for the purchase of a HOS/PSPS flat, which would be valid for one year and would not be transferable.

30. Since property ownership does not dis-bar existing public housing tenants from buying Home Ownership Scheme flats as Green Form applicants, it is considered that clearers and disaster victims who are property owners should not be disqualified.

31. The options in paragraphs 28 and 29 above could also be made available to those clearers and disaster victims who do fulfill the Waiting List eligibility criteria i.e. those eligible for public rental housing, but who choose to buy HOS flats.
32. Those squatters from surveyed structures who do not meet the residence qualification would be given temporary housing and registered on the Waiting List; they will have to satisfy the relevant criteria in order to be eligible for public housing eventually.

33. It has been suggested that income-testing by application of the Waiting List criteria should not be applied to existing THA residents who are cleared. This would avoid the criticism that a new policy is introduced retrospectively to the detriment of the THA residents.

34. On the other hand, since new measures to deal with well-off tenants are being considered (see chapter 4 below), there is no reason why reasonable measures should not likewise be applied to future THA residents.

(C) Residence Qualification to be applied under the Emergency & Compulsory Categories

Background & Existing Policy

35. As stated in paragraph 21 above, in order to be eligible for permanent public housing under existing policy, it is necessary that those affected reside in legal buildings or in surveyed squatter structures and that the majority of household members have 10 years' residence in Hong Kong or are locally born.

Policy Considerations

36. It is now for consideration whether the residence qualification for permanent public housing for those rehoused under the compulsory and emergency categories should be reduced from 10 years to 7 years to bring it into line with the criteria applied under the Waiting List, and the period of permanent residence required for new immigrants to become citizens of Hong Kong.

Options

37. If the residence qualification for those rehoused under the compulsory & emergency categories were reduced from 10 to 7 years, an additional 700 public rental flats would need to be allocated each year - mainly to squatters who are cleared; the demand for temporary housing would be reduced by 9%, or about 2,800 person spaces per year.

38. The reduction in the residential qualification also has some bearing on Temporary Housing Area residents. THA residents are allocated public rental housing when their turn comes up on the Waiting List or when the THA is cleared. As an additional avenue to permanent rehousing, THA residents may also apply for permanent housing during trawling exercises. These exercises are conducted to rehouse those who have stayed for long periods in THAs. The criteria applied are that the majority of the applicant's family should have 10 years' residence in Hong Kong or are locally born, and that they should also meet other Waiting List criteria and have been in a temporary housing area for at least one year. In practice unless applicants have at least 6 years stay in a THA, they have little chance of getting a flat in the urban area.

39. On reducing the residence qualification from 10 to 7 years, it may be necessary to increase the annual trawling quota from the current 1,500 flats to about 2,200 flats. About 8,800 individual spaces could then be made available for re-use each year in THAs.

Summary

40. The following is a summary of the points raised in this section:

Clearance of Squatters Outside Development Zones

(a) (i) whether a programme to clear squatter huts outside development zones should be established; and, if so

(ii) whether, in its early years, this programme should give priority to squatter huts on steep slopes and more vulnerable locations (paragraph 24);
Eligibility Criteria under Emergency & Compulsory Categories

(b) (i) whether the Waiting List criteria (except property owner-ship) should in future be applied to emergency and compulsory categories; and if so

(ii) whether the options set out in this paper should be adopted for those not meeting the criteria (paragraphs 28 to 33);

Residence Qualification under Emergency & Compulsory Categories

(c) whether the 10 years' residence requirement for permanent public housing for those rehoused under the compulsory and emergency categories should be reduced to 7 years to bring it into line with the criteria applied under the Waiting List (paragraphs 36 to 39).

4. WELL-OFF TENANTS IN PUBLIC HOUSING ESTATES

Background and Existing Policy

41. Public housing rents are well below market levels, and are often only 20% to 30% of the rents charged for similar accommodation in the private sector. On average, public housing tenants pay about 7% of their household income on rent, whereas private sector tenants pay about 21%. The following are examples of typical rents of a medium-sized flat (30m²) for five persons:

<table>
<thead>
<tr>
<th>District</th>
<th>Estate</th>
<th>Typical Public Housing Monthly Rent ($/M²)</th>
<th>Private Sector Rents (Footnote 2) ($/M²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kwun Tong</td>
<td>Kai Yip</td>
<td>10.8</td>
<td>58</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>Ap Lei Chau</td>
<td>10.8</td>
<td>52</td>
</tr>
<tr>
<td>Homantin</td>
<td>Oi Man</td>
<td>14.1</td>
<td>65</td>
</tr>
<tr>
<td>Shatin</td>
<td>Wo Che</td>
<td>10.5</td>
<td>58</td>
</tr>
<tr>
<td>Tuen Mun</td>
<td>On Tiing/Yau Oi</td>
<td>10.9</td>
<td>38</td>
</tr>
</tbody>
</table>

It has been possible for the Housing Authority to maintain rents at such reasonable levels because of heavy Government subsidy. The Government provides land free of charge to the Housing Authority for the development of rental estates and also loans on concessionary terms to finance construction. These loans which at 31 March 1983 totalled over $6,500 million are to be repaid over 40 years at an interest rate of 5% p.a. In order to reduce the cash-flow problem of the Housing Authority, the Government does not require the payment of this interest in cash, and the interest is only recorded in the accounts of the Housing Authority as part of the Government's contribution. Over the years, the Government has contributed over $12,000 million to the Housing Authority to provide more homes for the people of Hong Kong.

42. Rents for public rental units are set mainly to recover recurrent costs including rates, maintenance, management of public areas and facilities, etc but the affordability of tenants in also taken into account. In practice therefore it is not always possible to recover all running costs. For successive years, the deficit incurred on domestic properties has been covered by the surplus derived from its commercial properties. For example, in the last three financial years $514 million of deficit have been so covered:
### Surplus/(Deficit)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Properties</th>
<th>Commercial properties</th>
<th>Net Surplus/ (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>1981/82</td>
<td>(51)</td>
<td>204</td>
<td>153</td>
</tr>
<tr>
<td>1982/83</td>
<td>(136)</td>
<td>275</td>
<td>139</td>
</tr>
<tr>
<td>1983/84</td>
<td>(327)</td>
<td>307</td>
<td>(20)</td>
</tr>
<tr>
<td></td>
<td>514</td>
<td>786</td>
<td>272</td>
</tr>
</tbody>
</table>

The commercial properties have been able to generate some surplus because these are let at market value and the properties are developed with the same subsidies from Government i.e. free land and loans on concessionary terms to finance construction.

43. In short public housing tenants are heavily subsidised by the community, and many have become quite well-off after enjoying years of cheap rentals. Some of them have saved up a modest capital, and it is said that a significant number are owners of domestic property. This is to be expected since most Waiting List applicants come into public housing at or near the then prevailing income limit and any subsequent family income increases or addition of income-earners will bring the family income above the Housing Authority's income limit. The income distribution of public housing tenants also shows that many have incomes which are well above Waiting List income limits:

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>No. of Public Housing Households</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $4,500</td>
<td>240,000</td>
<td>(55)</td>
</tr>
<tr>
<td>$4,500 to $6,000</td>
<td>67,000</td>
<td>(15)</td>
</tr>
<tr>
<td>$6,001 to $7,500</td>
<td>54,000</td>
<td>(12)</td>
</tr>
<tr>
<td>Above $7,500</td>
<td>81,000</td>
<td>(18)</td>
</tr>
<tr>
<td>Total</td>
<td>442,000</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Source: First quarter 1983 General Household Survey, Census and Statistics Department

For reference, it should be noted that the current income limit applied to a 10-person family applying for public rental housing is $6,050; it has also been recommended that the income limit for private sector households who apply for Home Ownership Scheme flats should be increased to $7,500.

44. The present policy of the Housing Authority is to encourage better-off public housing tenants to buy Home Ownership Scheme flats and to exempt them from the eligibility criteria of the income limit and the non-ownership of domestic property applied to private sector applicants. So far 12,666 tenant families have bought Home Ownership Scheme flats, and each year about 1,600 tenants move out for other reasons. These casual vacancies form an appreciable proportion of the 32,000 rental flats allocated each year.

45. The Housing Authority has already taken some measures to discourage better-off tenants from remaining in rental housing by not providing larger accommodation for the relief of overcrowding for tenants who own private domestic property or earn $6,500 or more per month.
Policy Considerations

46. It has been suggested in many quarters that it is unfair to permit well-off public housing tenants to continue to benefit from subsidised accommodation, and that their public housing units should be released to rehouse those who are more in need, for example, poor families still living in squatter areas or sharing rental accommodation in the private sector.

47. The long-standing policy of the Housing Authority has been to give all tenants security of tenure, and for one child of a tenant to succeed the tenancy under certain circumstances. The view taken is that the objective of the public housing programme is to assist those eligible for public housing, so that they will prosper as a result. It is also considered that established and thriving communities should not be broken up. In western countries public housing is stigmatised as a place for the poor classes; but in Hong Kong public housing has been a success, and one of the main reasons for this is that having become tenants, people can continue to work hard, prosper and be sure that they will be allowed to remain in public housing. It is perhaps for this reason, the atmosphere in public housing in Hong Kong is unique in the world.

48. Another consideration is that administratively it is very difficult to establish which particular tenant is well-off. It is difficult to check regularly the incomes of 500,000 tenants and to see if they own private domestic property or other forms of wealth. Indeed to start with it is very difficult to define a 'rich tenant'. Many may own an types of assets such as property, cars, shares, jewellery, etc. Others may be company directors or shop proprietors but have few capital assets. If too much emphasis is placed on a particular form of wealth (e.g. ownership of domestic property) under any new policy for 'rich tenants', the tests involved could not be sufficiently embracing and could even be discriminatory.

Options

49. Notwithstanding the above, the fact remains that many public housing tenants can actually afford to rent (or even buy) satisfactory accommodation in the private sector, while many more families who are much less well-off are waiting to be allocated subsidised public housing.

50. It is for consideration whether fixed term tenancies of, for example, ten years, should be introduced for all new domestic tenants. Renewal of tenancies after ten years might be subject to means-testing. Those who exceed Waiting List income limits or own domestic property might be required to vacate their rental flats but be given priority to purchase Home Ownership Scheme flats. However, the administrative work of means-testing all tenants every ten years i.e. about 50,000 per annum on average, would be considerable. Alternatively, after the first ten years, all tenants could be charged full market rents, but this could be reduced in hardship cases subject to means-testing.

51. Another possibility is to require all tenants who have enjoyed rental tenancies of the Housing Authority for over 10 years, or any period as considered appropriate, to be means-tested. If they are found to have means to cater for their own housing needs, they might be required to vacate the rental flats or purchase HOS flats. An alternative suggestion might be that, after tenants have been in the estates for a period of say 10 years, they would then go on to a higher rent scale which will be nearer the market rent for their property. Coupled with the system, there would have to be an arrangement whereby those who could not afford to pay a higher level of rent could claim hardship and be considered for a concessionary rent.

52. A complete abolition of voluntary transfer facilities might also be considered. In other words, only those who are required to move by the Housing Department for reasons such as redevelopment or relief of serious overcrowding, might be allowed to move to other rental estates but they might be subject to means-testing.

Summary

53. The following is a summary of the possibilities raised in this section:

(a) whether a system of fixed term tenancies should be introduced under which tenants would be means-tested upon expiry of term and those who do not meet the relevant eligibility criteria could (i) be given priority to buy HOS flats, or
(ii) be charged full market rents (paragraph 50);

(b) whether all tenants who have enjoyed public rental housing for over 10 years should be means-tested and those
who do not meet the criteria be required to vacate their flats or purchase HOS flats (paragraph 51);

(c) whether the voluntary transfer facilities should be abolished (paragraph 52).

Summary

53. The following is a summary of the possibilities raised in this section:

(a) whether a system of fixed term tenancies should be introduced under which tenants would be means-tested upon
expiry of term and those who do not meet the relevant eligibility criteria could

(i) be given priority to buy HOS flats, or

(ii) be charged full market rents (paragraph 50);

(b) whether all tenants who have enjoyed public rental housing for over 10 years should be means-tested and those
who do not meet the criteria be required to vacate their flats or purchase HOS flats (paragraph 51);

(c) whether the voluntary transfer facilities should be abolished (paragraph 52).

5. MEASURES TO PROMOTE HOME OWNERSHIP

Background and Existing Policy

54. The Hong Kong Government promotes home ownership as a desirable social objective in itself and as a means to
recover heavily subsidised public housing units from better-off tenants for allocation to more needy families (Footnote
3).

55. Since the inception of the Home Ownership Scheme (HOS) in 1976 and the Private Sector Participation Scheme
(PSPS) in 1979, 12,666 public housing tenants have purchased HOS/PSPS flats i.e. about 40% of the total number of
sales. From PhaseIII B onwards, public housing tenants failed to take up all of the 50% quota of flats reserved for them
for various reasons discussed below. It is for consideration whether special incentives should be provided to encourage
more public housing tenants and other categories of prospective tenants to buy HOS/PSPS flats.

56. A public housing tenant takes the following factors into account when deciding whether or not to buy a HOS/PSPS
flat:

(a) the location of the new flat compared to the existing flat;

(b) the quality and size of the new and old flats;

(c) the ability of the tenant to support mortgage payments; and

(d) the tenants' perception of the advantages of home ownership such as a better environment, status, increasing asset
appreciation and avoidance of future rent increases.

(a) Location of Flats

57. Green Form applicants are in general more fastidious about the location of flats. There is a natural tendency to
prefer HOS/PSPS flats in more centrally located areas and popular new towns like Tsuen Wan and Shatin. Where flats
in the desired locations are not available they can choose to wait and buy later.
(b) Quality of Flats

58. According to a survey on Home Ownership Scheme applicants for Phase IVA, 49% of the Green Form applicants suggested larger flats, better living environment and better facilities as the major reasons for applying for Home Ownership Scheme flats. This finding is supported by sales experience, and new flats are designed with regard to such aspirations.

(c) Ability of Tenants to Purchase

59. Among other considerations, the low prices of Home Ownership Scheme flats, which in the more recent phases of sale were, on average, 28% below the market value for similar flats, are an essential inducement to encourage public housing tenants to purchase HOS/PSPS flats. However, this is true only to an extent, because the low rents enjoyed by public housing tenants act as a strong disincentive against home purchase no matter how well-off rental tenants are.

(d) Tenants' Perception

60. In addition to the above factors, whether a public housing tenant would apply for HOS/PSPS flats is essentially influenced by the tenants' perception of the added value of home ownership relative to the benefits which they are already enjoying. While they are enjoying low rents with security of tenure, public housing tenants can afford to wait until the most suitable flat is available, in respect of location, flat size, quality, price, etc. before they exercise their 'privilege' to buy. On the other hand, some people may regard the fixed mortgage payment for home purchase as a distinct advantage over rental housing, as the latter is subject to periodic rent review beyond their control.

Policy Considerations

61. Provision of financial incentives would undoubtedly have a psychological effect on existing public housing tenants and could result in an increased takeup of HOS/PSPS flats amongst them. The main argument for granting financial incentives is that since public housing tenants are occupying heavily subsidised housing units, it would be advantageous in the long-term to "buy-out" these tenants rather than to continue to grant them heavy subsidy indefinitely.

62. The counter-argument is that in terms of financial ability and housing needs, many public housing tenants are better-off than White Form applicants. Since public housing tenants have already enjoyed subsidised housing, they should not be granted further advantages over other sectors of the community, and any financial incentives would be tantamount to giving them 'double-benefits'.

Options

63. Having regard to the above, it is for consideration whether a concerted approach should be adopted to promote the sale of HOS/PSPS flats among existing and prospective public housing tenants. This would involve both administrative inducement and financial incentives.

64. As regards administrative inducement, the following options are for consideration:

(a) Mark I/II tenants, who will be affected by the redevelopment programme, might be given priority in choosing HOS/PSPS flats put up for sale. Preferential treatment of Mark I/II tenants is justified because they will be deprived of their present accommodation as a result of Government action.

(b) The eligibility to buy HOS/PSPS flats through Green Forms might be extended to various categories of prospective tenants including;

(i) members of large tenant households occupying more than one public housing unit, provided they are prepared to surrender one of the flats under the same tenancy;

(ii) members of split households in public housing but who would not be able to surrender the flat they occupy;
(iii) other prospective tenants such as Waiting List applicants and THA residents. Waiting List applicants who are over-income but within the HOS income limit could be offered the opportunity to buy HOS flats; those applicants who are eligible for public rental flats could also buy HOS flats if they choose to;

(iv) married children of existing tenants, instead of allowing them to be added to the existing tenancy. In suitable cases, for example where the parents depend socially or economically on the married child, addition of members to the tenancy will still be considered. However, in other cases upon the death or departure of parents, it seems reasonable that grown-up children should be income-tested before they are allowed to succeed the tenancy. If they do not meet the normal Waiting List criteria, they could be offered the opportunity to buy Home Ownership Scheme flats.

65. As regards financial incentives, it is probably not appropriate to provide direct financial grants to all Green Form applicants. In respect of Mark I/II tenants and other categories to whom the Housing Authority has a rehousing commitment e.g. clearees, consideration could be given to providing them with an ex-gratia allowance which could only be used for the purchase of a Home Ownership Scheme/ Private Sector Participation Scheme flat, which would be valid for one year and would not be transferable.

Summary

66. The following is a summary of the points raised in this section:

(a) whether Mark I/II tenants should be given priority in choosing Home Ownership Scheme/Private Sector Participation Scheme flats (paragraph 64(a));

(b) whether Green Form eligibility should be extended to:

(i) members of large tenant families occupying more than one public rental flat;

(ii) members of split households who will not be able to surrender the flat they occupy;

(iii) other prospective tenants such as Waiting List applicants and THA residents;

(iv) married children of tenants, instead of allowing them to be added to the existing tenancy (paragraph 64(b));

(c) whether financial incentives to promote the sale of Home Ownership Scheme flats should be adopted by providing an ex-gratia allowance to Mark I/II tenants and other categories to whom the Housing Authority has a rehousing commitment (paragraph 65).

6. ADDITION OF MARRIED CHILDREN AND FAMILIES

Background and Existing Policy

67. Under present policy, the addition of the spouse of one married child who is an authorised public housing occupant is allowed if the following criteria can be complied with:

(a) there is space in the flat and no overcrowding will occur as a result of the addition; and

(b) the tenant or his spouse is socially or financially dependent on the young couple.

68. In 1983, 290 sons-in-law and 1,410 daughter-in-law were added under the existing policy, thus allowing some 1,700 second-generation families to live in estates without going through the normal Waiting List procedure.

Policy Considerations

69. While this policy is generally well accepted by tenants of the Authority, it does not appear to be fair to applicants on the Waiting List, because the second-generation families are not subject to any income test. Tenancies are at present in most cases inherited and the Authority is committed to an open-ended responsibility for housing successive
generations or families, who have no incentive to move out of subsidised housing or to purchase Home Ownership Scheme flats even if they could well afford to do so.

**Options**

70. It is for consideration whether married children (and their spouses) of authorised occupants of public housing should be required to move out. Any policy change requiring married children to leave their parents' public housing flats would be based on the assumption that the former should be able to set up their own independent household on marriage and not rely on their parents for accommodation. To require any child to move out upon marriage would limit public housing commitment strictly to one generation in respect of each tenancy. It would also obviate the need to cater for the expansion of second generation families by the offer of larger or additional accommodation. However, there are likely to be practical problems in requiring married children to leave the estate especially in cases where there is genuine hardship. In addition, the departure of married children would tend to accelerate the 'ageing' process of the estate community.

71. Alternatively, married children (and their spouses) of authorised occupants of Public housing might be allowed to stay under certain specified conditions. For example: (a) combined household income should be within the limits for those on the Waiting List;

(b) the whole family should be required to pay a higher rent;

(c) the whole family should be required to submit a new application on the Waiting List while retaining their existing flat;

(d) all members of the family should move out of the public rental flat within a reasonable period after the death of the original tenant or his/her spouse (whichever is later) unless the combined income of the remaining members of the family are within the Waiting List eligibility criteria.

**Summary**

72. The following is a summary of the points raised in this section: whether married children (and their spouses) of authorised occupants of public housing should be required to move out (paragraph 70); or whether they should be allowed to stay under certain specified conditions (paragraph 71).

73. Of the five areas covered in the previous paragraphs, additional demand for public rental housing might arise as shown in the table below.

74. The suggestions under chapter 4 (Well-off Tenants in Public Housing Estates), chapter 5 (Measures to Promote Home Ownership) and chapter 6 (Addition of Married Children and Families) relate to the recovery of flats for letting to new tenants and have not been included in the estimates in the table.

75. The net additional annual demand for rental flats suitable for allocation to households of three people or more are estimated below:

<table>
<thead>
<tr>
<th>Suggested Policy Changes</th>
<th>Additional Rental Flats required per annum</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single people to be eligible for public housing</td>
<td>nil</td>
<td>If purpose-built accommodation is provided in addition public housing to the planned rental supply, the housing demand from single persons would not significantly affect households currently on the Waiting List.</td>
</tr>
</tbody>
</table>
| (2) Two-person households to be eligible for public housing | +1700 | It is assumed that:
(a) 25% of small households considered for rehousing under the Emergency & housing Compulsory Categories have a monthly income exceeding the Waiting List income limits and hence would not be eligible for public rental housing;
(b) 500 small households would be accommodated in casual vacancies of Small flats not considered satisfactory for allocation to households of three persons or more;
(c) two-person civil servant households who would become eligible for public housing would not constitute an additional demand for rental flats since the quota for civil servants would remain the same.

| (3) Clearance of squatters outside development zones | +7500 | Assumptions:
(a) a five year clearance programme;
(b) 25% of the clearees would have a monthly income exceeding the Waiting List income limits and hence would not be eligible for public rental housing.

| (4) Clearees and THA residents to subject to a 7-year residence rule instead of 10 years | +525 | It is assumed that 25% of the clearees would have a monthly income exceeding the Waiting List income limits.

| (5) Development clearees to be subject to Waiting List income limits | -2000 | 25% of the annual quota of 8000 flats.

| Additional annual demand for rental flats suitable for allocation to households of three persons or more | +975 |

76. From the above analysis, the following observations can be made:

(a) The estimated net additional annual demand for public rental housing of 975 flats would constitute less than 3% of the current annual target production.

(b) Even if the estimated decrease in demand for public rental housing of 2,000 flats as a result of applying Waiting List income limits to development clearees is excluded from the calculations, the gross increase in demand of 2,975 flats would constitute less than 9% of the current annual target production.
77. To balance the additional demand derived in the table, it should be pointed out that as from 1985/86, the PSPS will become a regular part of the public housing development programme with a target production of 5,000 flats on top of the present combined rental/HOS target of 35,000 flats per annum. Additional casual vacancies can be obtained by the sale of the additional supply of PSPS flats to green-form buyers and these can be used to meet the likely increase in demand for public rental flats.

78. Figures in this chapter are estimates only. But indications are that the increase in demand for public rental housing and the effect on households currently on the Waiting List as a result of the implementation of the suggested policy changes, would not be significant in light of the high level of annual public housing production.

8. CONCLUSION

79. The foregoing sections have covered a range of important areas of public housing allocation policies which are of significant public interest. In this context, allocation refers to the distribution of public housing to various eligible groups and the priority to be given to their housing needs in future. Construction policies regarding the quantity and quality of public housing are not part of this review.

80. Suggestions presented in this document would extend the eligibility net of public housing to new groups such as single persons and two-person households and squatters living outside development zones. New measures to further promote home ownership and to distribute the public housing subsidy more equitably have also been suggested. The present review of public allocation policies has considered how positive changes to existing policies might be made to meet the housing needs of the community. Various suggestions have been made and public comments on these proposals are welcomed. Any views expressed on matters raised in this review will be put to the Housing Authority for consideration.

Appendix I

<table>
<thead>
<tr>
<th>PUBLIC HOUSING ALLOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1983/84(Actual)</strong></td>
</tr>
<tr>
<td>FLATS</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(800)</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1500</td>
</tr>
<tr>
<td>665</td>
</tr>
<tr>
<td>32800</td>
</tr>
<tr>
<td>1009</td>
</tr>
<tr>
<td>33809</td>
</tr>
</tbody>
</table>

Footnote 1: This additional production will also lead to an increase in the number of public rental flats available for allocation, because the intention is to reserve 50% of all new HOS/PSPS flats for sale to public housing tenants whose heavily-subsidised public rental flats will in turn be released for allocation to other families who are in greater need.

Footnote 2: These are private sector rents for new lettings of comparable accommodation.

Footnote 3: 50% of all new Home Ownership Scheme/private Sector Participation Scheme flats are reserved for public housing tenants (Green Form) to buy, and they are given priority to choose flats of their preferred location. They are also exempt from the income limit and test of property ownership applied to private sector applicants (White Form).