THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee
and the Management and Operations Committee

Long Term Housing Strategy Review

Comprehensive Means Test for Public Housing Beneficiaries

PURPOSE

This paper seeks Members’ advice on the proposed comprehensive means test for public housing beneficiaries.

BACKGROUND

2. It is the Housing Authority (HA)’s present policy to require applicants for public housing assistance to go through a means test to determine their eligibility. As far as the financial side of the means test is concerned, we examine the income levels and property ownership of applicants. The scope of the means test is not comprehensive as the assets other than property ownership held by applicants are not taken into account.

3. To ensure that public housing resources are rationally and equitably allocated in accordance with need, HA approved in April 1996 the policy to apply income and asset tests on tenants who have been living in public rental housing (PRH) for over ten years and who are paying double rent under the Housing Subsidy Policy (HSP). Households whose income and net assets exceed the prescribed limits under the new policy, hereunder referred to as the Safeguarding Rational Allocation of Public Housing Resources Policy (SRA policy), will have to pay ‘market rent’ as determined by HA.
4. In the Long Term Housing Strategy (LTHS) Review consultative document published in January 1997, the principle of providing PRH for those in need is again re-affirmed. It is proposed that all prospective tenants (excluding the Compassionate Rehousing, Emergency Rehousing and junior civil service categories) should be required to undergo a comprehensive means test, covering both income and net assets.

BASIC PRINCIPLES

5. Members may wish to consider the following principles with regard to the proposed comprehensive means test -

(a) Public housing is a public asset and its allocation should strictly be based on need. In most cases, whether one has a need for public housing can be determined by his financial capability which, in turn, can be measured by income earned and net assets held;

(b) To achieve consistency and to facilitate the rational allocation of housing resources, the proposed comprehensive means test should apply to all prospective recipients of public housing assistance including PRH, Home Ownership Scheme (HOS)/Private Sector Participation Scheme (PSPS), Home Purchase Loan Scheme (HPLS) and Rent Assistance Scheme (RAS) applicants;

(c) To benefit from PRH subsidy, it is reasonable for a person to prove that he cannot afford to rent adequate accommodation in the private sector. To benefit from HOS/PSPS and HPLS, it is reasonable for a person to prove that he cannot afford to purchase adequate accommodation in the private sector. To benefit from RAS, it is important for a household to prove that he cannot meet with his short-term financial difficulties from his savings or assets;
(d) The types of assets to be declared should be those under the SRA policy as they represent the most common forms of income-generating assets held by Hong Kong people. A list of the declarable asset is at Annex. All the assets referred to are net assets held by the households;

(e) The proposed asset limit will be an additional eligibility criterion apart from the existing income and property ownership tests; and

(f) The proposed asset limit should differ having regard to the different types of public housing assistance, e.g. PRH, HOS or RAS.

APPLICATION

6. For PRH applicants, Members may wish to consider whether the proposed comprehensive means test should apply to all existing and new applicants, or only new applicants after a set date. If the proposed test is to apply to all existing applicants, there are possibilities that some applicants who have been waiting for some time would become ineligible due to the asset criterion. In devising the proposed asset limit, we should also ensure that only those well-off applicants who can look after their housing needs will be disqualified because of this new criterion while the applicants in genuine need will remain unaffected. Indeed, the waiting time of these applicants in genuine need will be shortened when some well-off applicants become ineligible for PRH.

7. For HOS/PSPS and HPLS applicants, Members may wish to consider whether the proposed comprehensive means test should apply to all, or just White Form, applicants. To be fair and consistent, all applicants, including Green Form applicants, should be required to go through the proposed test. However, Members should note that there are currently no income limits for Green Form applicants. Besides, the proposed test will no doubt affect the mobility of sitting tenants and their home ownership aspirations. The number of rental flats thus released for re-allocation will also be affected.
8. For RAS applicants, the proposed test should apply to new applicants and applicants seeking to continue the rent assistance beyond the first year.

IMPLEMENTATION

9. The broad principles of the proposed comprehensive means test will be debated in the context of the LTHS Review. We will monitor public opinions closely during the public consultation period which will run up to 31 May 1997. HA and the concerned Committees will be consulted on detailed proposals after the public consultation exercise has been completed and the Executive Council has endorsed the broad principles.

PUBLIC REACTION

10. We envisage that the public at large will support the proposed introduction of a comprehensive means test which is a positive step to safeguard the rational allocation of public housing resources. However, some quarters of the community, especially those WL applicants who may be disqualified by the new test, will raise objections to the proposal.

DISCUSSION

11. At the next joint meeting of the Home Ownership Committee and Management and Operations Committee to be held on 17 March 1997, Members will be asked to advise -

(a) Whether they support in principle that the proposed comprehensive means test covering both income and net assets should be introduced;

(b) Whether the proposed test should apply to all prospective recipients of public housing assistance including PRH, HOS/PSPS, HPLS and RAS applicants;
(c) In respect of PRH applicants, whether the proposed test should apply to all existing and new applicants, or only new applicants after a set date; and

(d) In respect of HOS/PSPS and HPLS applicants, whether the proposed test should apply to all applicants, or just White Form applicants.

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