THE HONG KONG HOUSING AUTHORITY

Memorandum for the Management and Operations Committee

Long Term Housing Strategy Review

Restrictions on Grant of New Tenancy in Public Rental Housing

PURPOSE

This paper seeks Members’ views on whether the existing policy on the grant of a new tenancy to a remaining adult household member upon the death of the principal tenant should be revised in the light of proposals made in the Long Term Housing Strategy (LTHS) Review.

BACKGROUND

2. The policy on the grant of a new tenancy to a remaining household member upon the death of the principal tenant in public rental housing (PRH) has been revised on a number of occasions in the past. A brief account of the evolution of the policy is given at Annex.

3. The current policy is that upon the death of the principal tenant, the surviving spouse who lives in the PRH flat is eligible to take over the tenancy unconditionally. In case there is no surviving spouse, the tenancy may be granted to another authorised adult member of the same household, subject to an income test. Similar to those tenants under the Housing Subsidy Policy (HSP), the concerned household will be required to pay 1.5 times net rent plus rates if its income is between two and three times the Waiting List Income Limits (WLIL), or double net rent plus rates if its income exceeds three times the WLIL. Although property ownership is not
a bar to taking over the tenancy, the rental income derived from any private property owned by the concerned household is taken into account in calculating its total income.

4. From June 1994 to May 1996, other than inheritance by the surviving spouses, some 3,900 new tenancies were granted to another authorised adult member of the next generation upon the death of their principal tenants. 17% of these households paid extra rents under the HSP as compared to 6% of all PRH households.

LTHS REVIEW PROPOSAL

5. The grant of a new tenancy to a remaining adult household member upon the death of the principal tenant is one of the issues raised in the LTHS Review in which it is proposed that PRH tenancies should not be allowed to be passed on from one generation to the next as a matter of course. The Review proposes that the grant of a new tenancy (other than to surviving spouse) should be justified on the basis of genuine need to be ascertained through a comprehensive means test covering both income and net assets, and the household concerned be required to pay extra rent where necessary. Adult members who fail the means test should be allowed to stay only for a limited period of, say, one year during which they are required to pay market rent.

CONSIDERATIONS

6. To review the current policy on the grant of a new tenancy upon the death of the principal tenant in the light of the LTHS Review proposals, Members may wish to consider the following -
(a) **Whether the remaining adult household members should be subject to a comprehensive means test** - The current policy does not appear to be consistent with the Safeguarding Rational Allocation of Public Housing Resources (SRA) policy because the remaining adult household members are not subject to any asset test. To impose a comprehensive means test prior to the grant of a new tenancy would provide a good opportunity to assess whether the remaining adult household members have a genuine need for housing subsidy. Also, it would help to dispel a misconception that PRH tenancies can be passed on from one generation to another as of right.

(b) **Whether the comprehensive means test should be used to determine the eligibility for the grant of a new tenancy and the amount of rent payable by the remaining family members** - The LTHS Review proposes that those adult family members who fail the comprehensive means test should be allowed to stay in the PRH flat only for one year during which they are required to pay market rent. This proposal is indeed a step further to the SRA policy whereby tenants having means exceeding the prescribed limits could still remain in PRH by paying market rent.

**DISCUSSION**

7. At the next meeting of the Management and Operations Committee to be held on 27 March 1997, Members will be asked to advise -
(a) whether the current policy should be revised to require the adult members of a deceased tenant’s family to undergo a comprehensive means test, covering both income and net assets, before the grant of a new tenancy and, where necessary, to pay extra rent; and

(b) whether those remaining adult household members who fail the comprehensive means test should be allowed to stay in the PRH flat only for one year during which market rent would be charged. Those fulfilling the HOS eligibility criteria will be given priority to purchase HOS flats.