THE HONG KONG HOUSING AUTHORITY

Memorandum for the Management and Operations Committee

Long Term Housing Strategy Review

Domestic Rent Increase

PURPOSE

This paper seeks Members’ views on the proposal in the Long Term Housing Strategy (LTHS) Review on domestic rent increase.

BACKGROUND

2. Under the current domestic rent policy, the main considerations in determining rents for public housing estates are tenants’ affordability and comparable estate value. The principle of affordability is translated into two median rent-to-income ratios (MRIRs) which should not exceed -

(a) 15% for the minimum allocation standard of 5.5 sq m internal floor area (IFA) per person; and

(b) 18.5% for the minimum allocation standard of 7 sq m IFA per person.

An adjustment is made for estate value which reflects the relative quality of each estate in terms of transportation, location, age, environment and facilities.
3. In the past rent setting exercises for new estates, the MRIRs were well below the approved limits. The overall MRIR for existing estates is about 9%.

**LTHS REVIEW PROPOSAL**

4. To better reflect tenants’ ability to pay and as a matter of equity, the LTHS Review proposes that the HA should consider -

   (a) To set and maintain rents for new public rental estates (of Harmony block design) at a level sufficient to achieve MRIRs of 15% and 18.5% (for the relevant space allocation standards); and

   (b) To increase rents for existing public rental estates progressively to achieve and maintain MRIRs of 15% and 18.5% (for the relevant space allocation standards), having regard to relative estate values, over the period to 2006.

**IMPLICATIONS**

5. For new public rental estates, the LTHS Review proposal would mean setting their rents at the same levels regardless of their locations.

6. For existing public rental estates, the LTHS Review proposal to increase their rents progressively over the period to 2006 would have different implications on the current rents for different block types in different districts.
DISCUSSION

7. At the next meeting of the Management and Operations Committee to be held on 27 March 1997, the Department will illustrate for Members’ discussion the various implications of the LTHS Review proposals on the current domestic rents and a possible approach to addressing the proposals.

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