

For discussion
on 25 March 2008

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT**

Building Maintenance Grant Scheme for Elderly Owners

PURPOSE

This paper seeks Members' comments on our proposal to implement a "Building Maintenance Grant Scheme for Elderly Owners" ("the Scheme") at a non-recurrent expenditure of \$1 billion to provide enhanced financial assistance to elderly owner-occupiers in need to improve building safety.

BACKGROUND

2. Elderly flat owners with low income or no income at all often fail to properly repair and maintain their self-occupied premises in a timely manner due to lack of financial means, rendering their premises dilapidated. The lack of financial resources has led to many default or delayed cases in the compliance of statutory orders to repair buildings or remove unauthorised building works (UBWs). Out of some 30 000 orders (including removal orders and repair orders¹) issued by the Buildings Department (BD) annually, about 3 000 or 10% are cases of elderly owners defaulting compliance or taking longer than the average 13 months lead time required to comply with orders. The average lead time for compliance for cases involving elderly owners currently stands at around 24 months. As these buildings remain dilapidated, they are posing risks not only to the owner-occupiers and tenants but also other users of the building and the general public. Furthermore, the reluctance of elderly flat owners to make financial contributions to building management and maintenance because of lack of means is often an obstacle in the formation of owners' corporations (OCs) or in the carrying out of both statutory and voluntary maintenance works of common areas of buildings.

¹ Removal orders are mainly issued to individual owners and repair orders are mainly issued to OCs.

3. Similar problems also exist in terms of compliance of statutory directions to improve fire safety of buildings. With the implementation of the Fire Safety (Buildings) Ordinance (Cap 572) in July 2007, owners of old domestic and composite buildings are required to upgrade their buildings to current fire safety standards. If no enhanced assistance is provided, we believe that more and more hardship cases would occur following the enforcement actions taken by the BD and the Fire Services Department.

4. In the longer run, the lack of financial capabilities of elderly owner-occupiers is also expected to create difficulties for the implementation of the proposed Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme. The two schemes aim to arrest the problem of building deterioration and upkeep building safety by requiring owners of private buildings to arrange inspections to their buildings and windows periodically. The lack of financial means will make it difficult for elderly owners to meet the requirements.

BUILDING MAINTENANCE GRANT SCHEME FOR ELDERLY OWNERS

5. There exist a few building maintenance related financial assistance schemes for building owners, namely the Comprehensive Building Safety Improvement Loan Scheme (CBSILS) administered by the BD, the Building Maintenance Incentive Scheme and the Home Renovation Loan Scheme operated by the Hong Kong Housing Society (HKHS), as well as the Building Rehabilitation Materials Incentive Scheme and the Building Rehabilitation Loan Scheme operated by the Urban Renewal Authority (URA). Whilst providing financial assistance to building owners to various degrees, these schemes are not tailor-made for elderly people and hence may not be able to directly address the needs of elderly owner-occupiers. For instance, the BD's CBSILS provides only loans but no grants. Operational experience reveals that many elderly flat owners with little or no income support are reluctant to borrow money from the Government or other agencies, regardless of whether the interest payable is subsidised or even waived. While grants are made available to elders in need by the URA and the HKHS on top of their respective interest-free loans provided, such grants are made subject to certain restrictions in respect of the types of eligible buildings, the type

of works, the eligibility of applicants (e.g. asset limits as per existing social security schemes) and the maximum level of grant available (no more than \$10,000).

6. In light of the above and in line with the Government's care for the elderly policy objective, the Government proposes to establish a grant scheme to enhance financial assistance to elderly owner-occupiers to repair and maintain their self-occupied buildings and to upkeep building safety. This new initiative was mentioned by the Financial Secretary in his 2008-09 Budget Speech and has received wide public support.

Eligibility of Applicants

7. The proposed grant scheme will cater to elderly owner-occupiers (aged 60 or above) who have a low income and modest assets. As such, domestic buildings or domestic portions of composite buildings will be covered. Any other properties not being occupied and lived-in by the elderly owners but are owned by them for rental or other purposes are outside the scope of the Scheme.

8. It is proposed that elderly owner-occupiers aged 60 or above will be eligible for the Scheme, subject to a simple declaration-based means test. For married couples, they will be eligible if either member of the couple reaches the age limit and is the registered owner of the flat, provided that the couple live in the flat under application and do not possess income and assets above the prescribed limits as mentioned in paragraph 10 below.

9. For a flat which is jointly owned by an elderly (or a couple) and other non-elderly owner(s) who is/are not the spouse of the elderly (e.g. his/her child, relative, friend, etc.), the eligibility of the elderly owner-occupier for the grant will be assessed having regard to the income and assets of the elderly owner (or the couple). The maximum amount of grant to be provided to the elderly owner-occupier will be calculated in proportion to his/her (or the couple's) share of ownership of the flat. For example, if the cost/contribution of repair works is \$30,000, this will be the maximum amount of grant to the elderly owner for his/her flat in case of sole ownership. If the flat is co-owned by the elderly owner and two other

non-elderly owners with equal share of ownership, the elderly applicant will be eligible for a grant amount of \$10,000 in view of his/her holding one-third of the property ownership.

Income and Asset Limits

10. In working out the income and asset limits, we consider it appropriate to adopt the Normal Old Age Allowance (NOAA) limits as the general basis for the scheme's means test, but in respect of assets, we propose to adopt a more generous level as most needy elders have little recurrent income. Accordingly, we propose to adopt the income limit of NOAA (i.e. currently \$5,910 per month for singles and \$9,740 for married couples) and double the asset limit of NOAA (i.e. \$169,000 x 2 = \$338,000 for singles and \$254,000 x 2 = \$508,000 for married couples) as eligibility criteria under the Scheme. The asset limit does not include the value of the self-occupied flat of the elderly owners under application. When there are adjustments to the income and asset limits for NOAA in the future, the Scheme will follow such adjustments.

Scope of Works Eligible for the Grant

11. The Scheme covers a wide scope of works. Apart from general repair works at the external walls and common areas of a building, the grant may also be used to cover works of the most concern to the elderly owners and the common problems present in elderly owners' premises. Examples include repair of cracked and spalled concrete and exposed reinforcement inside and outside domestic units; fixing of internal and external water supply and drainage pipes; repair of defective external walls and water-proofing membranes at rooftops to alleviate water seepage problems; repair and replacement of defective windows; and replacement of internal and external electrical wiring, etc. The Scheme also covers general consequential touch-up works arising from repair projects.

12. Apart from building structural safety items, similar to the scope of the BD's CBSILS, the Scheme comprehensively covers other general safety improvement needs of a building, such as fire, electrical and slope safety, and removal of UBW. For example, apart from orders concerning structural safety issued by the BD, the Scheme helps finance the costs for

meeting the fire safety directions issued under the Fire Safety (Buildings) Ordinance (Cap 572). The Scheme also covers self-initiated repair works not under any statutory orders or directions. Effectively, the Scheme will cover all domestic buildings and domestic portions of composite buildings irrespective of their age, number of units, geographical location, amount of rateable value, existence of an OC or whether the repair works are carried out on a voluntary basis or under statutory orders.

13. The detailed scope of works covered by the Scheme is at Annex.

Special Arrangements for Elderly Borrowers under Existing Loan Schemes

14. There are a number of existing deferred/default cases of loan repayment by elderly owner-occupiers under the current loan scheme administered by the BD. Some owners have a charging order registered against their property titles in the Land Registry and some may even face legal actions. There are also cases where the BD has conducted urgent repair and maintenance works on the owners' behalf but the elderly owners concerned could not reimburse the BD the costs incurred. A certificate issued under the Buildings Ordinance (Cap 123) would be registered against the titles of such owners in the Land Registry. There are also cases of deferred/default repayment for the schemes operated by the HKHS and the URA. Apart from deferred/default cases, there are also a number of elderly owner-occupiers who have a very low income but still strive to save money to repay the monthly installments of the loans, causing hardship in their daily living.

15. While introduction of the Scheme is intended to assist elderly owners to carry out building repair and maintenance works, we propose that on a compassionate basis, we should allow the above-mentioned elderly flat owners who have defaulted repayments, or who are still making regular repayments, to apply for a grant under the proposed Scheme to repay their outstanding loans administered by the BD, the URA or the HKHS, provided they meet the eligibility criteria. This group of owners will immediately benefit from the Scheme upon its launch. For those owners who have a charging order registered against their titles, they may make use of the grant to repay part or all of the debts and have the concerned charging order de-registered. According to our initial

estimation, more than 1 000 elderly flat owners will immediately benefit from the Scheme.

Amount of Grant

16. The amount of grant will be pitched at a level that is adequate to finance the general cost of building maintenance and repair works likely to be encountered by the elderly flat owners. We propose that under the Scheme, each owner or each flat will be eligible for a maximum grant of \$40,000 within a period of five years. If the owner sells his/her flat after obtaining a grant for repair and maintenance works under the Scheme and buys and moves to another flat, he/she will only be eligible to apply for the remainder of the maximum grant of \$40,000 within the five-year period for works needed in his/her subsequent self-occupied flat. In other words, no matter how many times an eligible owner changes his/her self-occupied flat, the total amount of grant for him/her will be capped at \$40,000 over a five-year period. The \$40,000 cap is also applicable to flats, i.e. for any flat, it will only be eligible for grants up to \$40,000 within a five-year period, no matter how many times the ownership has changed and the number of applications for grants made by different elderly owner-occupiers of the same flat.

17. The launch of the proposed Scheme which is in the form of grant will not affect the operation of the other existing financial schemes under the BD, the HKHS and the URA. Flat owners who need additional financial assistance for their maintenance and repair works may apply for assistance from the existing schemes where eligible as a top-up support. We believe that together with the other existing loan and grant schemes, the proposed Scheme will provide a comprehensive package of financial assistance for elderly owner-occupiers in need to maintain and repair their buildings. The average time required for compliance with statutory orders issued by the BD by elderly owners is anticipated to be shortened from 24 months to 13 months.

Administration of the Scheme

18. We have obtained the agreement of the HKHS to administer the Scheme. Over the years, the HKHS has assisted the Government in

promoting proper building maintenance. Through its housing management experience and a network of Property Management Advisory Centres (PMACs) (currently nine and with plans for a 10th one), the HKHS has been providing a range of services and assistance to flat owners and OCs on building maintenance and management issues. The HKHS also operates loan and grant schemes to help needy owners to conduct building repair and maintenance works, and these loan and grant schemes in future will play a complementary role to the proposed Scheme. To build on its valuable experience and to provide more user-friendly service to elders in need, the HKHS is best placed to be the implementation agency for the Scheme.

19. As announced by the Financial Secretary, we propose to allocate a non-recurrent funding of \$1 billion for implementing the Scheme over a period of five years. We estimate that this will benefit over 30 000 households with elderly owner-occupiers in need.

FINANCIAL IMPLICATIONS

20. We will provide the capital injection for the HKHS by installments. The HKHS will open a separate bank account for keeping the fund and allocating grants to successful applicants. The HKHS will also be responsible for the management and investment of the fund. Any interests generated will be ploughed back to the Scheme for making grants for elderly flat owners and for reimbursing out-of-pocket expenses² of the HKHS incidental to the operation of the Scheme. The HKHS will be required to regularly submit progress reports on, inter alia, the financial position of the Scheme, the number of successful applicants, the amount of grants drawn, interest and investment income, performance on investment and such other information as required by the Government. The HKHS will also arrange to conduct audit checks of its accounts and operations. An independent auditor will conduct an annual audit on the accounts of the Scheme. The detailed terms of cooperation between the Government and the HKHS will be stipulated in a memorandum of understanding to be signed between the two parties. We will review the operation of the Scheme after 18 months of operation.

² HKHS will absorb the cost of staffing in administering the Scheme for the Government's behalf. Only out-of-pocket expenses will be charged to the Government's grant and these include legal costs, auditor's fees and costs for publicity activities.

PUBLICITY

21. With the launch of the new Scheme, we can encourage more flat owners and OCs to organise voluntary building repair and improvement works. With the availability of grants for elderly flat owners, they will become more willing to take part in maintaining their own buildings. This will help foster a culture of building care, paving a way for the smooth implementation of the proposed Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme in the future. The public at large will also benefit from the improved safety conditions of buildings.

22. To ensure that elderly owners will have full knowledge about the scheme and seek assistance as needed, we will launch extensive publicity involving the HKHS, the URA, service organizations serving elderly clients, District Offices and District Councils, Owners Corporations, etc.

ADVICE SOUGHT

23. For the benefit of the elderly borrowers and other elderly owners who intend to carry out building maintenance, it is highly desirable to introduce the Scheme as early as possible. We therefore propose to seek the Finance Committee's approval of a non-recurrent commitment of \$1 billion at its meeting on 25 April 2008, for the Scheme to be implemented by May 2008 the earliest.

Development Bureau
March 2008

**Scope of Works Covered by the
Building Maintenance Grant Scheme for Elderly Owners**

- (a) improvement of the structural aspects of buildings, e.g. repair to loose, cracked, spalled or otherwise defective concrete;
- (b) improvement of the safety of external elevations of buildings, e.g. repair to defective rendering and mosaic tiles;
- (c) repair or replacement of defective windows;
- (d) improvement of the fire safety of buildings, e.g. means of escape, means of access for fire fighting and rescue and fire resisting construction;
- (e) provision of, improvement to and maintenance of, fire service installations and equipment of buildings;
- (f) removal of unauthorized building works and illegal rooftop structures;
- (g) improvement of building and sanitary services, e.g. repairing, maintaining and replacing lifts, fire services installations and equipment, electrical wiring, gas risers, replacing defective soil, waste, rainwater, water supply and vent pipes and underground drainage;
- (h) repair of water-proofing membranes at rooftops and flat roofs and works to alleviate water seepage problem;
- (i) maintenance or improvement works for slopes and retaining walls;
- (j) improvement of the fire and building safety of cubicles;

- (k) maintenance works in association with the above works, including investigation works and professional services; and
- (l) any incidental or consequential works relating to items (a) to (k) above, e.g. touch-up works arising from repair or remedial works.

The above scope of works is applicable to repair works carried out in the common areas of buildings as well as inside the individual units of the elderly owners.