

立法會 *Legislative Council*

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Panel on Development

Meeting on 26 January 2010

Background brief on Operation Building Bright

Purpose

This paper provides background information on the Operation Building Bright (the Operation) and summarizes the concerns and views expressed by Members during past discussions on the subject.

Background

2. At the meeting of the Panel on Development (the Panel) on 31 March 2009, the Administration presented a proposal to implement the \$1-billion Operation at a non-recurrent government expenditure of \$700 million, together with a contribution of \$150 million each from the Hong Kong Housing Society (HKHS) and Urban Renewal Authority (URA), to assist owners of about 1 000 old buildings to carry out repair works. The funding proposal was approved at the Finance Committee meeting on 24 April 2009.

3. At the Panel meeting on 23 June 2009, members were briefed on the progress of the Operation and the Administration's proposal to inject an additional funding of \$1 billion into the Operation in view of the high demand. The funding proposal was subsequently approved at the Finance Committee meeting on 3 July 2009. The budget of the Operation thus totals \$2 billion.

4. According to the Administration, there have been widespread suggestions from Legislative Council Members and various stakeholders in the community that expediting building maintenance is a pragmatic way of creating additional jobs in the construction industry. The experience of HKHS and URA in the implementation of various assistance schemes to promote building maintenance and repair reveals that voluntary maintenance of old buildings is often hampered by the absence of owners' organizations and/or the presence of absentee, elderly, low-income and non-cooperating owners. This situation is

more serious for old buildings, buildings with low rateable values, and those without owners' corporations (OCs).

5. The Operation aims to achieve the dual objective of creating more job opportunities in the decoration and maintenance sector of the construction industry as well as promoting building safety and improving the cityscape and living environment. Under the Operation, the Administration in collaboration with HKHS and URA will provide targeted financial support to owners of old and dilapidated buildings to carry out voluntary repair and maintenance works. Where owners are unable to organize repair works by themselves, the Buildings Department (BD) will take complementary actions to mandate such works.

6. The Operation is "building-based" and target buildings of the Operation have to meet the following criteria --

- (a) the buildings are residential or composite buildings aged 30 years or above;
- (b) the buildings comprise no more than 400 residential units;
- (c) the average rateable value of the residential units does not exceed \$100,000 per annum for buildings in urban areas, or \$76,000 per annum for buildings in other areas; and
- (d) the buildings lack maintenance or are in dilapidated conditions, requiring repair or maintenance works (examples include buildings subject to statutory orders issued by BD).

7. Target buildings will be divided into two categories. Category 1 covers buildings with OCs and Category 2 covers buildings having difficulties in coordinating repair works, such as buildings without OCs.

8. There will not be asset or income means tests. All owners of target buildings (including residential and commercial units) can receive a grant amounting to 80% of the cost of repair, subject to a ceiling of \$16,000. Elderly owner-occupiers aged 60 or above can receive a grant to cover the full cost of repair, subject to a ceiling of \$40,000.

9. The grant must be used for repair works in common areas of target buildings. It should first be used for repair works in common areas relating to improvement of structural and fire safety of buildings and sanitary facilities. After covering the cost of these works, any remaining grant may be used for other repair and improvement works in the common areas. The details of the two types of works are given in **Appendix I**.

10. According to the Administration, with a total budget of \$2 billion, the Operation should be able to assist about 2 000 target buildings and create 20 000 job opportunities for construction and maintenance workers as well as related professionals and technicians.

Members' concerns and views expressed during past discussions

Panel on Development

11. When the subject was discussed at the Panel meetings on 31 March 2009 and 23 June 2009, members were in support of early implementation of the Operation to create job opportunities and enhance building safety. The major concerns and views expressed by individual members are summarized in the ensuing paragraphs.

12. Some members considered that the Administration should work in collaboration with the relevant trade unions so that unemployed workers could be recruited to carry out works under the Operation; and that more construction companies should be allowed to participate in the Operation. The Administration responded that workers in the construction sector would benefit from the Operation, which would increase the number of job opportunities in the sector. Contractors would have to employ more workers in order to cope with the additional number of works projects during the period. The Administration had engaged two term contractors for building repair works, each with a contract sum limit of about \$20 million. The Administration would have to engage more contractors to carry out the repair works under the Operation.

13. As regards priority items under the Operation, some members suggested that the Administration should review the list of priority items to include the clearance of unauthorized building works (UBWs) and repair of defective fire safety installations. The Administration advised that if UBWs in common areas were to be included as priority items, the progress of other repair works of a higher priority would be affected. UBWs would generally be handled according to the existing policy. OCs could remove UBWs on their own initiative and the Administration would coordinate with them as far as possible. As regards fire services installations, the Administration subsequently included "repair of defective fire safety constructions, and fire service installations and equipment of buildings" as a priority item in the relevant proposal to the Finance Committee.

14. There were also views that the names of approved contractors should be made available to OCs for easy reference and measures should be in place to properly monitor the works and to prevent the hiring of illegal workers; and that the Administration should effectively monitor the tendering procedures of OCs to prevent malpractices. The Administration should also provide comprehensive advice to OCs in respect of various building maintenance subsidy schemes. The

Administration advised that a list of authorized persons and approved general contractors had been prepared for OCs' reference. Eligible OCs had to choose at least four contractors from the list when inviting tenders to minimize the possibility of corruption. OCs also had to engage consultancy firms with authorized persons to monitor the repair works to ensure that the works were in order. The authorized persons engaged by OCs had to certify relevant documents such as inspection reports, tender analyses, works contracts, certificates for disbursement of funds and certificates of completion to ensure the quality of the repair works. Consultants of HKHS and URA would monitor the repair works from their commencement to completion and vet those documents during the whole process before releasing the grants under the Operation. The Administration added that currently there were other building maintenance assistance schemes in operation. Owners could obtain detailed information about each scheme and they could apply for more than one scheme if they met the relevant eligibility criteria.

15. Some members suggested that buildings which were less than 30 years old and those with more than 400 residential units but in highly dilapidated conditions should also be included in the Operation. If there were still uncommitted funds available after the first call for applications, the Administration should make use of part of such remaining funds to accept new applications for Category 1 target buildings. The Administration should decide the timing for receiving the second round of applications as soon as possible so that OCs would have sufficient time to make preparations for their applications. The Administration advised that it would report to the Panel on the latest expenditure of the Operation to see whether funds were still available and whether there was room to adjust the eligibility criteria.

Finance Committee

16. When the relevant funding proposals were discussed at the Finance Committee meetings on 24 April 2009 and 3 July 2009, some members enquired about the criteria/mechanism for according priorities to eligible target buildings and the basis for determining the levels of subsidy. Some members also asked whether it was permissible to carry out beautification works for target buildings. The Administration responded that its intention was to cover as many buildings as possible by fully utilizing the \$2 billion provision. The Administration had followed the priorities accorded by the computer ballot held in June 2009 to gradually process the eligible applications. The selection of Category 2 buildings had been jointly made by a steering committee comprising representatives of BD, HKHS and URA in consultation with the District Councils. As regards the levels of subsidy, the Administration advised that the ceiling of \$16,000 was worked out on the basis of an 80% subsidy for the estimated average repair cost of \$20,000 for each owner of an eligible building. The subsidy level of \$40,000 for elderly owners aged 60 or above was modelled on the rate approved for the Building Maintenance Grant Scheme for Elderly

Owners. As regards beautification works, the Administration advised that the Operation allowed some beautification works arising from the repair works.

17. On members' concern about possible corrupt practices, the Administration advised that a three-pronged approach would be adopted to prevent corrupt practices under the Operation. The staff of HKHS and URA would inspect every selected building and provide advice on procedures and requirements, scope of maintenance works required, preparation of tender documents, tender assessment, and appointment of authorized persons and contractors. The OCs concerned would be required to follow the tender procedures and invite a sufficient number of contractors to bid for the works in order to ensure open and fair competition.

18. As regards members' concern that some OCs had worries about the clearance of UBWs and barring all units from sale in the market if some owners failed to make the required contributions, the Administration pointed out that only those UBWs which were posing safety hazards or would cause serious obstruction to the maintenance works would be removed during the Operation. The Administration further advised that it had written to the OCs of some 13 000 old buildings to publicize the Operation, and would continue its promotion efforts. HKHS and URA would also explain to the owners concerned the procedures and requirements of the Operation.

Council question

19. At the Council meeting on 6 January 2010, Hon LEE Wing-tat raised a question on the Operation. The question and the Administration's reply are in **Appendix II**. According to the Administration, it received 1 128 applications for Category 1 target buildings, of which 1 025 met the eligibility criteria or had not been withdrawn by the applicants. As for Category 2 target buildings, 603 buildings had been selected up to 21 December 2009. The Administration would select around 300 additional buildings as Category 2 target buildings. The Administration expects that there will still be a small amount of uncommitted funds available out of the \$2 billion for further deployment after completion of the works in all eligible applications as Category 1 target buildings and selected Category 2 target buildings.

Latest development

20. The Administration intends to brief the Panel on 26 January 2010 on the latest progress and update of the Operation.

Relevant papers

21. A list of the relevant papers with their hyperlinks is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
22 January 2010

Appendix I

Use of grants under the Building Operation Bright

The grant must first be used for repair and maintenance works in common areas of target buildings relating to the structural and fire safety of buildings as well as the sanitary facilities, including --

- (a) repair of building structure, e.g. repairing loose, cracked, spalled or defective concrete;
- (b) repair of external walls of buildings, e.g. repairing defective rendering and mosaic tiles;
- (c) repair or replacement of defective windows;
- (d) repair of building sanitary services, e.g. repairing, maintaining and replacing defective soil, waste, rainwater, vent pipes and underground drainage; and
- (e) repair of defective fire safety constructions, and fire service installations and equipment of buildings.

Maintenance works in association with the works in (a) to (e) above, including investigation works and professional services; and any incidental or consequential works, such as touch-up and finishing works arising from the repair or remedial works, will also be covered.

After covering the cost of works stated in the paragraph above, any remaining grant may be used for additional repair and improvement works in the common areas, including --

- (a) removal of unauthorized building works and illegal rooftop structures;
- (b) improvement of fire safety constructions, and fire service installations and equipment of buildings;
- (c) improvement of building services and facilities, e.g. repairing, maintaining and replacing lifts, electrical wiring, gas risers and fresh water pipes;
- (d) maintenance or improvement works for slopes and retaining walls; and

- (e) repair of water-proofing membranes at rooftops and flat roofs and works to alleviate water seepage problems.

Maintenance works in association with the works in (a) to (e) above, including investigation works and professional services; and any incidental or consequential works, such as touch-up and finishing works arising from the repair or remedial works, will also be covered.

(Source: Discussion paper FCR(2009-10)33 for Finance Committee meeting on 3 July 2009)

**Written question raised by Hon LEE Wing-tat
on "Operation Building Bright"
at the Legislative Council meeting on 6 January 2010
and the Administration's reply**

Question:

The Government, in collaboration with the Hong Kong Housing Society and the Urban Renewal Authority, has implemented Operation Building Bright since May 2009 to provide grants and one-stop technical assistance to two categories of target buildings. Category 1 covers buildings with owners' corporations (OCs), and Category 2 covers buildings having difficulties in organizing repair works (e.g. buildings without OCs). In this connection, will the Government inform this Council:

- (a) of the respective numbers of Categories 1 and 2 target buildings which have received grants for the cost of repair to date and, among such grants, the respective highest, lowest and average amounts of grants; and the number of applications involving eligible Category 1 target buildings for which grant was not approved;
- (b) of the respective numbers of Category 2 target buildings which have been recommended by Members of the Legislative Council and each of the District Councils to date and, among such buildings, the respective numbers of those which were and were not approved grants, as well as the reasons for some buildings not being approved grants;
- (c) whether the current amount of uncommitted funds are sufficient for accepting a new round of applications; if so, when it will start accepting applications; if not, whether it will seek additional funding from the Legislative Council; and
- (d) of the respective numbers of Categories 1 and 2 target buildings which have commenced repair works at present, and when the works are expected to be completed?

Reply:

As a specific measure for "Preserving Jobs" amidst the financial tsunami, the Government, in collaboration with the Hong Kong Housing Society (HKHS) and the Urban Renewal Authority (URA), has implemented a \$2-billion "Operation Building Bright" (OBB) to provide subsidies and one-stop technical assistance to help owners of old buildings carry out repair and maintenance works. The OBB aims to achieve the dual objective of improving building safety and the cityscape

as well as creating more job opportunities for the construction sector. The Finance Committee of the Legislative Council has approved a total funding allocation of \$1.7 billion for the Government's contribution to the OBB while the remaining \$300 million is contributed by HKHS and URA on an equal sharing basis.

Category 1 target buildings under the OBB cover buildings with owners' corporations (OCs). OCs of eligible buildings may apply for joining the OBB to carry out repair works on a voluntary basis, including repair, maintenance and improvement works related to building structure, fire safety and sanitary facilities. We have conducted a computer ballot to determine the priority of processing the applications of the eligible buildings. Upon receipt of an approval-in-principle for participating as a Category 1 target building of the OBB, an OC should, in accordance with the stipulated procedures, appoint an authorised person to co-ordinate the repair works and a qualified contractor to commence the works within the specified periods. The HKHS and URA will monitor the progress of the repair and maintenance works and disburse grants to the OC after completion of the works.

Category 2 target buildings cover buildings having difficulties in co-ordinating repair works, such as buildings without OCs. Category 2 target buildings include buildings with defaulted repair orders issued by the Buildings Department (BD). We have also invited the Legislative Council and District Councils to nominate buildings as Category 2 target buildings, and the BD has inspected these buildings. The Steering Committee of the Operation Building Bright (the Steering Committee) comprising representatives from the BD, HKHS and URA has selected suitable buildings as target buildings according to their building condition. Depending on the circumstances, the BD will issue statutory repair orders to the Category 2 target buildings. If the owners of the buildings are unwilling or unable to conduct repair works by themselves, the BD will arrange consultants and contractors engaged by the Government to carry out the repair works stipulated in the orders on behalf of the owners. After deducting the amount of subsidies available under the OBB, the BD will recover the remaining repair costs from the owners. However, if the owners/OCs of the buildings are willing to organise repair works voluntarily, they could follow the approach for Category 1 target buildings to carry out repair works. Apart from the requirements under the repair orders concerning building structure and drainage, the scope of works could include other works items such as fire service installations etc. covered by Category 1 target buildings. The HKHS/URA will render assistance to them.

The reply to the four-part question is as follows:

(a) and (d) Category 1 Target Buildings

We have in total received 1,128 applications for Category 1 target buildings, among which 1,025 applications meet the eligibility criteria or have not been withdrawn by the applicants. As we have increased the overall allocation for

the OBB from \$1 billion to \$2 billion, all eligible Category 1 target buildings could receive grants. We have followed the priorities accorded by the computer ballot held in June 2009 to gradually process the eligible applications. Up to December 21, 2009, 870 Category 1 target buildings have been granted "notices of approval-in-principle". Amongst these buildings, 57 are undertaking repair works, and the works of another building have generally completed. After completion of the works, the OCs will be provided with the grants. Regarding the above-mentioned 870 cases, based on the number of units in the buildings and the past experience of HKHS/URA in coordinating building repair, it is estimated that the highest, lowest and average amounts of grants are around \$7.82 million, \$110,000 and \$1.3 million respectively. Moreover, the HKHS and URA are continuing to process the remaining 155 cases. It is anticipated that "notices of approval-in-principle" could be granted to most of the remaining applications by the end of January 2010. After completion of the works, the OCs will be provided with grants. Since the preparatory work and the necessary repair works for individual buildings are different, we cannot accurately predict the works completion time of all the assisted buildings. Generally speaking, it takes about six to nine months to complete the repair works.

Category 2 Target Buildings

Up to December 21, 2009, 603 buildings have been selected as Category 2 target buildings. We are planning to select around 300 additional buildings as Category 2 target buildings.

Amongst those Category 2 target buildings where owners/OCs are not capable of organising repair works by themselves and need the BD to arrange the repair works, 123 buildings have commenced repair works, among which the repair works of 10 buildings have generally completed. The initial estimates of the highest, lowest and average amounts of grants are around \$370,000, \$20,000 and \$130,000 respectively. The works for the remaining 113 buildings are in progress. It is anticipated that the works of most buildings will be completed before mid-February 2010 (i.e. the Lunar New Year).

Regarding those Category 2 target buildings where the owners/OCs are willing to organise repair works, the number of cases with "notices of approval-in-principle" granted is 50. Amongst them repair works in 16 buildings have commenced, and the works of another building have generally completed. Regarding the above-mentioned 50 cases, based on the number of units in the buildings and past experience of HKHS/URA in coordinating building repair, the estimated highest, lowest and average amounts of grants are around \$2.2 million, \$110,000 and \$630,000 respectively. Besides, owners of another 43 buildings have also expressed their willingness to organise repair works by themselves. Depending on the progress of organisation of works by the owners, the HKHS and URA will gradually process these applications with an aim to granting "notices of approval-in-principle" to the owners as soon as possible.

Regarding the remaining Category 2 target buildings, the BD, in collaboration with the HKHS and URA, will continue to consult the owners if they are prepared to organise repair works by themselves, and will gradually arrange Government contractors to carry out repair works for those buildings where the owners are unable to carry out repair works.

(b) The BD has in total received 513 nominations as Category 2 target buildings, among which 510 nominations were from 14 District Councils and three from two Legislative Council members. After vetting the building condition and relevant information of the nominations, the Steering Committee has included 263 nominated buildings as Category 2 target buildings. As for the remaining nominated buildings, 67 have earlier submitted applications to participate as Category 1 target buildings and they are being processed by the HKHS/URA. The remaining buildings were not included as Category 2 target buildings as they do not meet the relevant criteria of the OBB, such as use of building, building age, number of residential units, average rateable value, building condition, etc.

The numbers of buildings nominated and included as Category 2 target buildings are tabulated by districts as follows:

<u>District</u>	<u>Number of nominations</u>	<u>Number of building confirmed by the Steering Committee as Category 2 target buildings</u>
Central and Western	25	12
Wan Chai	15	5
Eastern	11	3
Kwun Tong	58	16
Sham Shui Po	80	51
Yau Tsim Mong	24+3*	6
Kowloon City	161	120
Islands	1	0
Tsuen Wan	47	47
Yuen Long	75	2
North	3	1
Kwai Tsing	7	0
Tai Po	1	0
Tuen Mun	2	0
Total	513	263

* The three nominations were from two Legislative Council members.

(c) Based on our estimation so far, after completion of the works in all eligible applications as Category 1 target buildings and selected Category 2 target buildings, there will still be a small amount of uncommitted funds available out of the \$2 billion for further deployment. We are contemplating to make use of such remaining funds to assist more target buildings. We will on

January 26, 2010 report to the Legislative Council Panel on Development on the latest progress of the OBB, explain the proposed way forward and seek the Panel's views.

Operation Building Bright

List of relevant papers

Council/Committee	Date of meeting	Paper
Panel on Development	31 March 2009	<p>Administration's paper on Operation Building Bright (LC Paper No. CB(1)1125/08-09(03)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0331cb1-1125-3-e.pdf</p> <p>Administration's paper on Operation Building Bright (Speaking note of the Secretary for Development) (LC Paper No. CB(1)1204/08-09(02)) (Chinese version only) http://www.legco.gov.hk/yr08-09/chinese/panels/dev/papers/dev0331cb1-1204-2-c.pdf</p> <p>Administration's paper on Operation Building Bright (Flowchart) (LC Paper No. CB(1)1204/08-09(03)) (Chinese version only) http://www.legco.gov.hk/yr08-09/chinese/panels/dev/papers/dev0331cb1-1204-3-c.pdf</p> <p>Administration's paper on Operation Building Bright (Leaflet) (LC Paper No. CB(1)1204/08-09(04)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0331cb1-1204-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1964/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090331.pdf</p>

Council/Committee	Date of meeting	Paper
Finance Committee	24 April 2009	Administration's paper on Operation Building Bright (FCR(2009-10)3) http://www.legco.gov.hk/yr08-09/english/fc/fc/papers/f09-03e.pdf Minutes of meeting (LC Paper No. FC146/08-09) http://www.legco.gov.hk/yr08-09/english/fc/fc/minutes/fc20090424.pdf
Panel on Development	23 June 2009	Administration's paper on Operation Building Bright - Progress and Update (LC Paper No. CB(1)1947/08-09(07)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0623cb1-1947-7-e.pdf Minutes of meeting (LC Paper No. CB(1)2515/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090623.pdf
Finance Committee	3 July 2009	Administration's paper on Operation Building Bright (FCR(2009-10)33) http://www.legco.gov.hk/yr08-09/english/fc/fc/papers/f09-33e.pdf Minutes of meeting (LC Paper No. FC10/09-10) http://www.legco.gov.hk/yr08-09/english/fc/fc/minutes/fc20090703a.pdf
Council meeting	6 January 2010	A written question on "Operation Building Bright" raised by Hon LEE Wing-tat http://www.info.gov.hk/gia/general/201001/06/P201001060124.htm