

**For discussion
on 29 May 2012**

**Subcommittee on Buildings (Amendment) Ordinance 2011
(Commencement) Notice 2012, Building (Inspection and Repair)
Regulation (Commencement) Notice and Building (Minor Works)
(Amendment) Regulation 2011 (Commencement) Notice**

Purpose

This paper sets out the latest development in relation to the rollout of the Mandatory Building Inspection Scheme (MBIS) and the Mandatory Window Inspection Scheme (MWIS) to be launched by the Buildings Department (BD).

Background

2. The Buildings (Amendment) Ordinance 2011 (B(A)O), which provides for the legislative framework of the MBIS and the MWIS, was enacted on 29 June 2011. The Legislative Council (LegCo) also completed the scrutiny of the relevant subsidiary legislation on 21 December 2011, including the Building (Administration) (Amendment) Regulation 2011 (B(A)(A)R), the Building (Inspection and Repair) Regulation, the Building (Minor Works) (Amendment) Regulation 2011 and the Buildings (Amendment) Ordinance 2011 (Commencement) Notice 2011.

3. The MBIS and the MWIS cover all private buildings aged 30 years or above and 10 years or above respectively, except domestic buildings not exceeding three storeys in height. Under the MBIS, building owners are required, within a specified timeframe, to appoint a registered inspector (RI) to carry out a prescribed inspection and to appoint a registered contractor to carry out a prescribed repair found necessary of the common parts, external walls, projections and signboards of the building once every 10 years. Under the MWIS, building owners are required, within a specified timeframe, to appoint a qualified person (QP) to carry out a prescribed inspection and to appoint a registered contractor to carry out a prescribed repair found necessary of the windows in the building once every 5 years.

4. Those sections in the B(A)O and B(A)(A)R concerning registration of RIs and other miscellaneous amendments to the Buildings Ordinance (BO) were brought into operation on 30 December 2011 by virtue of the Buildings (Amendment) Ordinance 2011 (Commencement) Notice 2011. It was mentioned in the LegCo Brief on the subsidiary legislation in paragraph 2 above that the MBIS and the MWIS would be fully implemented in the second quarter of 2012. On 27 April 2012, the Secretary for Development made three commencement notices, namely, the Buildings (Amendment) Ordinance 2011 (Commencement) Notice 2012, the Building (Inspection and Repair) Regulation (Commencement) Notice and the Building (Minor Works) (Amendment) Regulation 2011 (Commencement) Notice; all of which were gazetted on 4 May 2012. These notices seek to commence the remaining provisions of the B(A)O and the regulations on 30 June 2012 to put the MBIS and the MWIS into operation.

Procedures under the MBIS and the MWIS

5. Each year, BD will arrange to select a total of 2,000 buildings aged 30 years or above and 5,800 buildings aged 10 years or above for the MBIS and the MWIS respectively. To spread over the workload of building professionals and contractors, the selection of target buildings will be conducted at quarterly intervals, with 500 buildings for the MBIS and 1,450 buildings for the MWIS to be selected in each quarter. The target buildings selected each year will represent a mix of buildings in different conditions and age profiles in different districts. Besides, to minimise disturbance to building owners, BD will synchronise the implementation of the MBIS and the MWIS, whereby buildings selected for the MBIS (i.e. the 2,000 buildings each year) will also be selected for the MWIS under the same cycle so that owners can carry out inspection and repair works under both schemes concurrently.

6. After the commencement of the relevant legislative provisions, BD will issue in July 2012 pre-notification letters to the owners/owners' corporation (OC) of the first quarterly batch of target buildings selected for the MBIS and the MWIS concurrently to alert them that their buildings have been so selected so as to give them ample time to get prepared for the future inspection that they will be required to arrange. The statutory notice requiring the owners/OC to carry out the inspection will be issued, at the

earliest, six months (i.e. in early 2013) after the issuance of pre-notification letter. The owners/OC should appoint an RI within three months, and complete the prescribed inspection within 6 months, from the date of the statutory notice. If repairs works are to be carried out, they should be completed within 12 months from the date of the statutory notice. An extra three months will be allowed for buildings without an OC to organize the required inspection and repair works. In respect of buildings selected for the MWIS only, the BD will in July 2012 issue a pre-notification letter to the OC or post the letter at a conspicuous part of the target building to alert the owners/OC to get prepared and organized. One to two months after the issuance or posting of the pre-notification letter, the BD will issue statutory notices to the owners/OC of the target buildings. The owners/OC should appoint a QP within three months, and complete the prescribed inspection and repair (if necessary) within six months, from the date of the statutory notice. Same as for buildings selected for the MBIS and the MWIS concurrently, an extra three months will be allowed for buildings without an OC to organize the required inspection and repair works under the MWIS.

Preparatory work for the rollout of the MBIS and the MWIS

Registration of RIs

7. Registration of RIs for the MBIS has commenced since 30 December 2011, and an Inspectors Registration Committee has been established for considering applications for registration. Over the past few months, BD has been taking active measures to encourage qualified building professionals to register as RIs, including launching an Announcement in the Public Interest (API) publicizing registration in mid February 2012, writing to the relevant professional institutes to invite them to disseminate the message to their members and to provide on their websites a hyperlink to BD's website for access to application forms for registration, arranging briefing sessions for members of the professional institutes, and writing to all authorized persons and registered structural engineers inviting them to apply for registration. Registration is progressing well. As at 21 May 2012, a total of 286 applications for registration as RI had been received, of which 169 applications had been approved and 12 applications deferred or refused. The rest of the applications are being processed. The inspectors' register has been uploaded on BD's website for public inspection.

8. As we have mentioned previously, to ensure fair competition, we consider that the market should have a supply of at least 300 RIs initially when the first prescribed inspection under the MBIS is to commence. Considering the present progress of registration, we are confident that we would be able to achieve this level of supply in the second half of 2012, before the statutory notices for the first batch of target buildings under the MBIS are issued in early 2013.

Selection of target buildings

9. Various relevant factors will be taken into account in the selection of target buildings, including building age, state of repair and maintenance, records of inspection and repair, and location. Priority will be given to buildings with more dilapidations and defects in common areas and external walls, with more exterior unauthorized building works, or buildings abutting streets with heavy pedestrian or traffic flow. To enhance transparency and to promote community participation, BD has established a selection panel comprising representatives from professional institutes, relevant non-governmental organizations, property management companies, District Councils and relevant Government departments to advise BD on the selection of target buildings. BD has completed the collation and analysis of nominations for the first quarterly batch of target buildings, and will soon submit a nominated list to the selection panel for consideration. The selection panel will meet in June 2012 to select the first batch of target buildings to tie in with the rollout of the inspection schemes.

Publicity

10. To arouse public awareness of the MBIS and the MWIS, BD has launched a publicity programme in two phases. In the first phase, an API was launched in mid February 2012 targeting at the registration of RIs. The API was broadcast on all television and radio stations, as well as public transport vehicles including buses and railways. Over the past few months, apart from briefing sessions for members of professional institutes as mentioned above, BD has been participating in seminars organized by various professional organizations and District Councils to promote the MBIS and the MWIS in the community. In the second phase, which began in early May

2012, BD has launched a dedicated webpage on its website containing detailed information on the inspection schemes for public reference. A series of newspaper supplements is also being published starting from mid May 2012. Other publicity materials including another set of API targeting at the requirements of the inspection schemes, leaflets, posters and outdoor advertisements will be launched in June 2012 to publicize the full implementation of the schemes.

Support to owners

Financial assistance

11. The Hong Kong Housing Society (HKHS) and Urban Renewal Authority (URA) will jointly implement the “Mandatory Building Inspection Subsidy Scheme” (MBISS) to subsidize eligible owners the full cost of the first building inspection under the MBIS, subject to a cap. The MBISS will be offered to eligible owners/OCs, covering the cost of first inspection of the common parts of their buildings under the MBIS. The cost of first inspection of windows in the common parts under the MWIS will also be covered under the MBISS provided that the actual cost of inspection of the common parts of the building under MBIS does not exceed the subsidy cap. The cost of any detailed investigation and subsequent repair works will not be covered by the subsidy scheme.

12. Under the MBISS, buildings will be categorized into various groups according to the number of units, and each group will have its respective cap limit. To assist in working out the level of the cap, the HKHS and URA have over the past few months conducted a market survey by inviting a number of private building consultancy firms and three professional institutes, namely, the Hong Kong Institute of Architects (HKIA), the Hong Kong Institution of Engineers (HKIE) and the Hong Kong Institute of Surveyors (HKIS), to provide estimated cost for carrying out building inspection under the MBIS. These firms and institutes were invited to provide estimated man-days and unit professional fee based on the technical requirements for inspection and the duties of an RI stipulated in the draft Code of Practice on the MBIS and the MWIS promulgated by the BD. The HKHS and URA have completed an analysis of the data collected in the survey and are in the process of finalizing

the proposed level of the cap under the MBISS¹.

13. For the sake of convenience and clarity to owners, the HKHS and URA will adopt the same eligibility criteria on rateable value of the Integrated Building Maintenance Assistance Scheme (IBMAS) in the MBISS. In view of the rising trend of rateable values in recent years, the HKHS and URA have since 1 April 2012 raised the rateable value limits under the IBMAS to benefit more property owners. The average rateable value limit of residential units in urban areas (including Tsuen Wan, Kwai Tsing and Shatin) has been lifted from \$100,000 to \$120,000, and that in the New Territories from \$76,000 to \$92,000. About 80% of buildings aged 30 years or above are covered by these revised rateable value limits.

14. As for the repair works found necessary according to the inspection, the Government, together with HKHS and URA, will continue to provide financial assistance under the various existing schemes, including the IBMAS jointly administered by HKHS and URA, the Building Safety Loan Scheme administered by BD, and the Building Maintenance Grant Scheme for Elderly Owners administered by HKHS. A summary of these assistance schemes is at the Annex. In line with the spirit of provision of ‘one-stop’ service, owners can simply complete one set of application forms under IBMAS for making multiple applications covering various types of grants/loans in the above schemes.

Technical assistance

15. The Government, together with HKHS and URA, will also provide technical assistance to owners in need during the various stages of the inspection schemes to guide them in carrying out inspection and repair works, including assisting them to organize themselves and offering support on tendering and appointment of RIs and contractors. Upon the issuance of pre-notification letters, BD will, in collaboration with HKHS and URA, organize district briefing sessions for owners of target buildings to explain the details of the inspection schemes and assistance packages available. HKHS

¹ The survey revealed a wide range of estimated inspection cost in the industry. To ensure a fair analysis, extreme cost estimates provided by individual participating parties compared with the rest (i.e. either considered too low or too high) were excluded from the calculation. On that basis, according to the survey, the estimated inspection cost for buildings with 49 units or below ranges from \$20,000 to \$50,000; buildings with 50 to 200 units from \$30,000 to \$80,000; and buildings with 201 to 400 units from \$40,000 to \$110,000. The level of the cap will be determined having regard to the average inspection cost obtained in the survey.

and URA will make use of the existing hotline of IBMAS to provide one-stop service to owners.

16. BD, HKHS and URA will jointly provide an information kit to owners as handy reference materials, covering basic information on the two inspection schemes and the statutory requirements and procedures, statutory duties of RIs and complaint channels, details of the various assistance schemes and application forms, guidelines/checklists/standard templates on tendering procedures, brief information on the Voluntary Building Assessment Scheme and answers to frequently asked questions. In particular, having regard to the experience obtained in the Operation Building Bright, the information kit will provide owners with guidance on anti-collusion and anti-rigging practices in tendering, including requiring any RI and contractor to sign an undertaking to comply with probity and anti-rigging clauses when submitting a tender, and to submit a declaration on compliance with ethical commitment clauses upon confirmation of appointment. The information kit will be made available to owners during the district briefing sessions, at the public service centres of the supporting organizations and on their websites. In addition, owners successfully applying for subsidy under the MBISS will also be provided with a standard tender document and service agreement for the appointment of RI.

Code of Practice on the MBIS and the MWIS

17. The BD promulgated the draft Code of Practice (CoP) on the MBIS and the MWIS in August 2011. The BD is finalizing the CoP in the light of the requirements stipulated in the subsidiary legislation in consultation with the industry. The final version of the CoP will be issued in June 2012 to tie in with the rollout of the inspection schemes.

Voluntary Building Assessment Scheme

18. The HKHS will launch the Voluntary Building Assessment Scheme (VBAS) to give recognition to buildings with proper management and maintenance. All private domestic and composite buildings of any age may join the VBAS, which covers building safety items, building management, building maintenance, environmental protection and other value-added items. The standards and requirements of the VBAS in building safety will be on par

with those under the MBIS and the MWIS. Buildings certified by the VBAS will be recognized by BD for having fulfilled the requirements under the MBIS and the MWIS (in respect of common parts only) within the respective inspection cycles. The HKHS has started to recruit and train VBAS assessors in May 2012. Applications to the scheme will begin in July 2012 in line with the rollout of the MBIS and the MWIS.

Advice Sought

19. Members are invited to note the content of this paper.

**Development Bureau
Buildings Department
Hong Kong Housing Society
Urban Renewal Authority
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A summary of the existing assistance schemes for subsidizing building and window repair works under the Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme

	Owners' Corporations Formation Subsidy	Common Area Repair Works Subsidy	Loans for Individual Owners		Building Safety Loan Scheme	Building Maintenance Grant Scheme for Elderly Owners
			Common Area Repair Works Interest-free Loan	Home Renovation Interest-free Loan		
Building Eligibility	<ul style="list-style-type: none"> Private residential or composite (residential and commercial) building 	<ul style="list-style-type: none"> Private residential or composite (residential and commercial) buildings 20 years old or above Average annual rateable value for domestic unit should not exceed \$120,000 in urban areas (including Shatin, Kwai Tsing and Tsuen Wan) or \$92,000 in the New Territories With OCs (those without OCs will be considered on a case-by-case basis) 			<ul style="list-style-type: none"> Private residential/composite/commercial/industrial buildings 	<ul style="list-style-type: none"> Domestic unit in private residential /composite building
Application Criteria		<ul style="list-style-type: none"> Application resolved in Management Committee meeting 	<ul style="list-style-type: none"> Application resolved in an OC general meeting; Approval-in-Principle granted to the OC; Domestic unit solely or jointly owned by individual 	<ul style="list-style-type: none"> Only property in Hong Kong; Domestic unit solely or jointly owned by individual 		<ul style="list-style-type: none"> Owner-occupiers at aged 60 or above Meeting income and asset limits¹ or receiving CSSA/NOAA²
Subsidy/ Loans/ Grant Amount	<ul style="list-style-type: none"> Maximum subsidy at \$3,000 	Amount of subsidy (within 5 years): <ul style="list-style-type: none"> <u>20 units or below</u>: 30% of the approved cost of works up to \$150,000 <u>21 - 49 units</u>: 20% of the approved cost of works up to \$150,000 <u>50 units or more</u>: 20% of the approved cost of works or not more than \$3,000 per unit capped at \$1,200,000/OC 	Amount of Loan: <ul style="list-style-type: none"> Interest free loan up to \$100,000/domestic unit Repayment up to 60 months 	Amount of Loan: <ul style="list-style-type: none"> Interest free loan up to \$50,000/ domestic unit Repayment up to 60 months 	Amount of Loan: <ul style="list-style-type: none"> Low interest loan up to \$1 million/unit Repayment up to 36 months 	Amount of Grant: <ul style="list-style-type: none"> Maximum grant of \$40,000 per owner per unit within a period of 5 years
		Other Subsidies for OCs: <ul style="list-style-type: none"> 50% Authorized Person/consultant fee up to \$20,000 50% Public Liability Insurance /Third party risks insurance premium subsidy up to \$6,000 p.a. for 3 consecutive years 				
Special Grant and Relieve		<ul style="list-style-type: none"> Owners aged 60 or above meeting income & asset limits or those receiving disability allowance/CSSA/NOAA/medical fee waiver: <ul style="list-style-type: none"> - hardship grant of 100% cost up to \$10,000 per unit within a period of 5 years 			<ul style="list-style-type: none"> CSSA/NOAA recipients or owners meeting income & asset limits: <ul style="list-style-type: none"> -interest-free loan and up to 72 months extended repayment period 	

¹ According to the current income and asset limits which take effect from February 2012, the monthly income limits for applications by singletons and couples are \$6,660 and \$10,520 respectively, while the asset limits (excluding the property in which the applicant resides and to which the grant relates) for the two types of applications are \$372,000 and \$562,000 respectively.

² CSSA and NOAA refer to Comprehensive Social Security Assistance and Normal Old Age Allowance respectively. Both schemes are provided by the Social Welfare Department.