

**For discussion
on 18 February 2013**

Legislative Council Panel on Home Affairs

Youth Hostel Scheme

PURPOSE

This paper briefs Members on the latest developments on the Youth Hostel Scheme (YHS) to be taken forward with the support of non-governmental organisations (NGOs).

DETAILS OF THE YHS

Objectives

2. The YHS aims to unleash the potential of under-utilised sites in the hands of NGOs and provide some relief to the current shortage of housing accommodation for young people who wish to live away from home. The scheme will also meet the aspirations of some working youths in having their own living spaces for a period of time. For many, like those with lesser means who may rent sub-divided units, this will also improve their living conditions. While the youth hostels are not meant to provide a permanent accommodation, the scheme will give these young tenants an opportunity to accumulate savings to meet their aspirations.

Latest developments – rolling out two pilot projects

3. The Government announced the initiative on YHS in the 2011-12 Policy Address. Home Affairs Bureau (HAB) briefed the Home Affairs Panel in November 2011. Since then, we have been discussing the scheme with NGOs which have shown interests in participating. As the initiative had been conceived and initiated by the Government to meet the policy objectives, in July 2012, the Chief Executive announced that the

Government would support the full capital cost of building the hostels. NGOs welcome this as they would not have adequate financial means to embark on large-scale construction works and to raise the necessary funds by fund-raising would be extremely difficult. NGOs agree that they will participate in the YHS by making use of the private land they own or sites already granted to them by way of Private Treaty Grant.

4. Based on the on-going discussions with NGOs, we plan to start with two relatively more mature projects on a pilot basis, and then review the result before proceeding with the other projects. They are the Tung Wah Group of Hospitals' (TWGHs) project at Hollywood Road and the Hong Kong Federation of Youth Group's (HKFYG) project at Tai Po. Information about these two pilot projects is set out at **Annex**. While the proposals or suggestions from other NGOs are not as ready as these two, we will nonetheless continue our discussions with these NGOs.

5. In order to achieve the policy objectives of the YHS, HAB has formulated the key parameters for the two pilot projects in respect of their development and operations. These are set out in paragraph 6 to 19 below.

Parameters for the NGOs to develop the youth hostels

6. The Government would provide capital funding to the NGOs through the Capital Works Reserve Fund (CWRF) for developing the hostels and directly associated facilities as and when individual projects are ready, subject to the endorsement of the Public Works Subcommittee (PWSC) and approval of the Finance Committee (FC) of the Legislative Council (LegCo). To ensure proper use of public funds, we will stipulate principles for NGOs to follow, including –

- (a) the capital costs which would make reference to a standard unit cost to be determined by the Government (paragraph 7 below), would cover the project feasibility studies, site investigations, consultant services and construction of the youth hostels and related facilities serving the hostel tenants;
- (b) the design of the hostel should be frugal; and

- (c) the Net Operation Floor Area (NOFA) of each hostel unit should be in the range of 15 – 20m² (single or double room).

7. We consider it appropriate to set a standard unit cost for the construction works, represented by building and building services unit cost, on the professional advice of the Architectural Services Department. Cost control by reference to the construction unit cost for the building envelope above ground is an industry-recognised method, and has been used in government and subvented public works projects so as to compare costs of similar projects. Accordingly, we will determine this unit cost by drawing reference from projects of similar nature (e.g. university hostel and boarding schools), and with due considerations to requirements for the YHS (e.g. en-suite bathroom and communal facilities). The total construction cost of individual projects will however vary, having regard to site-specific factors. We will set out the basis for the standard unit cost as well as the estimated total construction cost of the relevant YHS project when we seek funding approval from PWSC and FC of the LegCo.

8. The cost of reprovisioning existing services or provision of various new services/facilities on the site other than hostels under the YHS will be funded by funding sources other than the CWRF.

Parameters for NGOs to operate and maintain the youth hostel

9. In order to achieve the policy objectives, we will set parameters for participating NGOs to operate and maintain the hostels. We have reviewed and revised the parameters since we last briefed the HA Panel in November 2011, taking in account the views from various quarters and the interested NGOs in particular. The parameters now set for the two pilot projects as well as our key considerations are set out in paragraphs 10 to 18 below.

Rental and tenancy period

10. The NGOs shall charge an affordable rental for the hostels. The rental should not exceed 60% of the market rent of flats with similar size

in the nearby areas. Such rental will cover all the on-going costs required in running, operating and maintaining the hostels, such as management fee, cleaning fee, utilities, government rents and rates, etc. The NGOs should have due regard to the income level of the working youths in setting the rental level of a particular YHS. To facilitate turnover of hostel units, the first tenancy should be at least two years, which can be renewed for an aggregate of no more than five years.

Age and Permanent Residence of Target Tenants

11. The target tenants should be working youths (including self-employed) who are Hong Kong permanent residents aged 18 – 30. Given the limited places available under the YHS, we find it advisable to require tenants to be permanent residents.

Income limits

12. The income level of a one-person household applicant should not exceed the 75th percentile of the monthly employment earnings of employed persons aged 18 – 30, and the household income level of a two-person household applicant should not exceed twice the level of a one-person household. The hostels are meant to provide a choice of temporary accommodation targeted not just at those who are eligible for Public Rental Housing (PRH). Hence, an income level more lenient than that applicable to one-person household applicants of PRH is set. This limit will be reviewed and where necessary adjusted annually in accordance with the latest statistics issued by the Census and Statistics Department.

Asset limits

13. The total net asset limit of a one-person household should not exceed HK\$300,000 and the total net asset limit for a two-person household should not exceed \$600,000. We consider that a more lenient asset limit may encourage savings by the young tenants to meet their aspirations. This limit will be adjusted regularly by the HAB having regard to a suitable Consumer Price Index.

14. NGOs may choose to set lower limits on income and assets. Having regard to the unique objective of YHS to encourage saving, the tenants should only be subject to the income and asset limit tests at the time of application but not upon renewal of tenancy.

Property ownership

15. The applicants shall not solely or jointly own any residential property in Hong Kong, or hold any residential property in Hong Kong through a company. If tenants subsequently become owners of residential properties, they are required to declare to the NGOs which would give reasonable time for the tenants to move out from the hostel.

Interface with PRH

16. Youths will be allowed to queue up for both PRH and youth hostels at the same time, but we are of the view that hostel tenants should not be allowed to continue queuing for PRH once allocated a hostel unit. Although queuing for PRH is strictly speaking not a housing benefit, allowing youths to queue for PRH while occupying a hostel unit, which is highly subsidised by the Government, should not be encouraged. Having said that, if the youths are not applying for a singleton PRH on their own, but are applying with their families, their application should not be affected just because of the youths' choice to live in a youth hostel for a period of time. These proposed arrangements are subject to consultation with the Housing Authority which decides on the eligibility criteria for PRH applications.

Admission Flexibility

17. We note that NGOs may come across cases where admission of the applicant would be in the best interest of the youth even though he/she cannot comply with some of the eligibility criteria. We therefore consider that NGOs should be given some discretion to assist such youths in special circumstances. Therefore, a margin of 5% of the total number of tenants of its hostel would be allowed for the NGO to admit non-compliant cases.

Use of surplus above 'mandatory reserve'

18. The hostels shall be operated on a self-financing basis. While NGOs may incur surplus as well as deficit in running the youth hostels, we believe that for well-run youth hostels, there is a potential for generating surpluses, and this should indeed be encouraged. If NGOs were asked to plough back all their surplus into the hostels, NGOs would have no choice but to reduce rentals or to continually enhance services and amenities, which would deviate from the "frugality" principle. We will adopt the following approach on the use of surplus as follows –

- (a) the NGO will be asked to set aside a "mandatory reserve" as agreed with HAB at a level sufficient for meeting the operational and maintenance needs of the hostels over the lease period;
- (b) the NGO may deploy any operating surplus over and above the "mandatory reserve" to other non-profit making services / programmes or other aspects of its operations, subject to the prior approval of the HAB; and
- (c) HAB retains the ultimate discretion to direct any surplus over and above the "mandatory reserve" to be ploughed back to the Government.

We see this as a suitable incentive for the NGOs to ensure proper management of their accounts and Government may call the surpluses back to Government coffers at any time if it is not satisfied with the management and maintenance of the youth hostel.

Land lease, a legal document and a Deed of Undertaking

19. To ensure that the youth hostels are developed in accordance with Government's policy objectives and to avoid possible abuse, the rights and obligations of the NGOs and the Government will be governed by the land lease, a legal document plus a Deed of Undertaking (Deed) in favour of Government, with the three documents making cross references to each other, where appropriate. On the land leases, Lands Department will modify TWGHs' and HKFYG's leases to approve lease

modifications at nil premium and nil administrative fee, subject to policy support from HAB to the applications. The legal document to be signed between the Secretary for Home Affairs on behalf of the Government and the NGOs will govern issues relating to the delivery of the hostel units in accordance with Government's policy objectives. In addition to the legal document, the NGOs will be required to execute a Deed which requires the NGOs to undertake not to alienate the land without Government's written consent, to repay Government the capital subvention provided by Government for the construction of the youth hostel should the youth hostel cease to be operated in accordance with the legal document, and entitles the Government to require from the NGOs a first legal mortgage of the land in favour of Government as security for repayment of the capital subvention. In other words, the legal document plus the Deed would enable Government to recover the capital subvention in the unlikely event of the NGOs ceasing to operate and maintain the youth hostel in accordance with the legal document.

WAY FORWARD

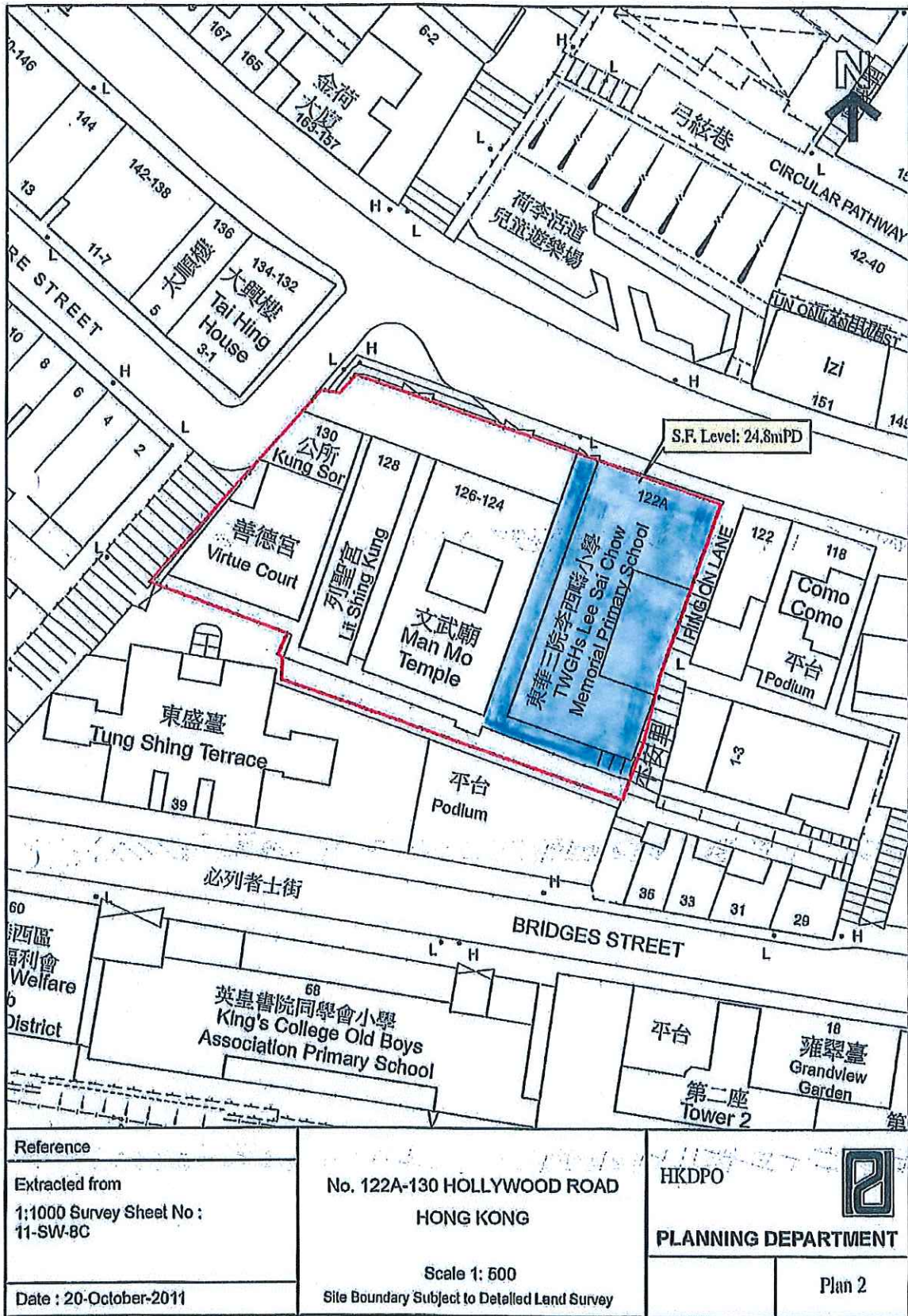
20. To implement the YHS, the Government has commenced further discussions with TWGHs and HKFYG with a view to proceeding with their hostel projects on a pilot basis. The NGOs will need to carry out pre-construction studies and go through the statutory town planning process before they may seek funding endorsement and approval from PWSC and FC of LegCo respectively, with the policy support of HAB. If the projects proceed smoothly, we expect that the construction of hostels will be completed by 2016. HAB will review the scheme, based on the progress made in these two pilot projects, and continues our discussions with other NGOs which have expressed interest to participate.

Home Affairs Bureau
February 2013

Sites for pilot under Youth Hostel Scheme

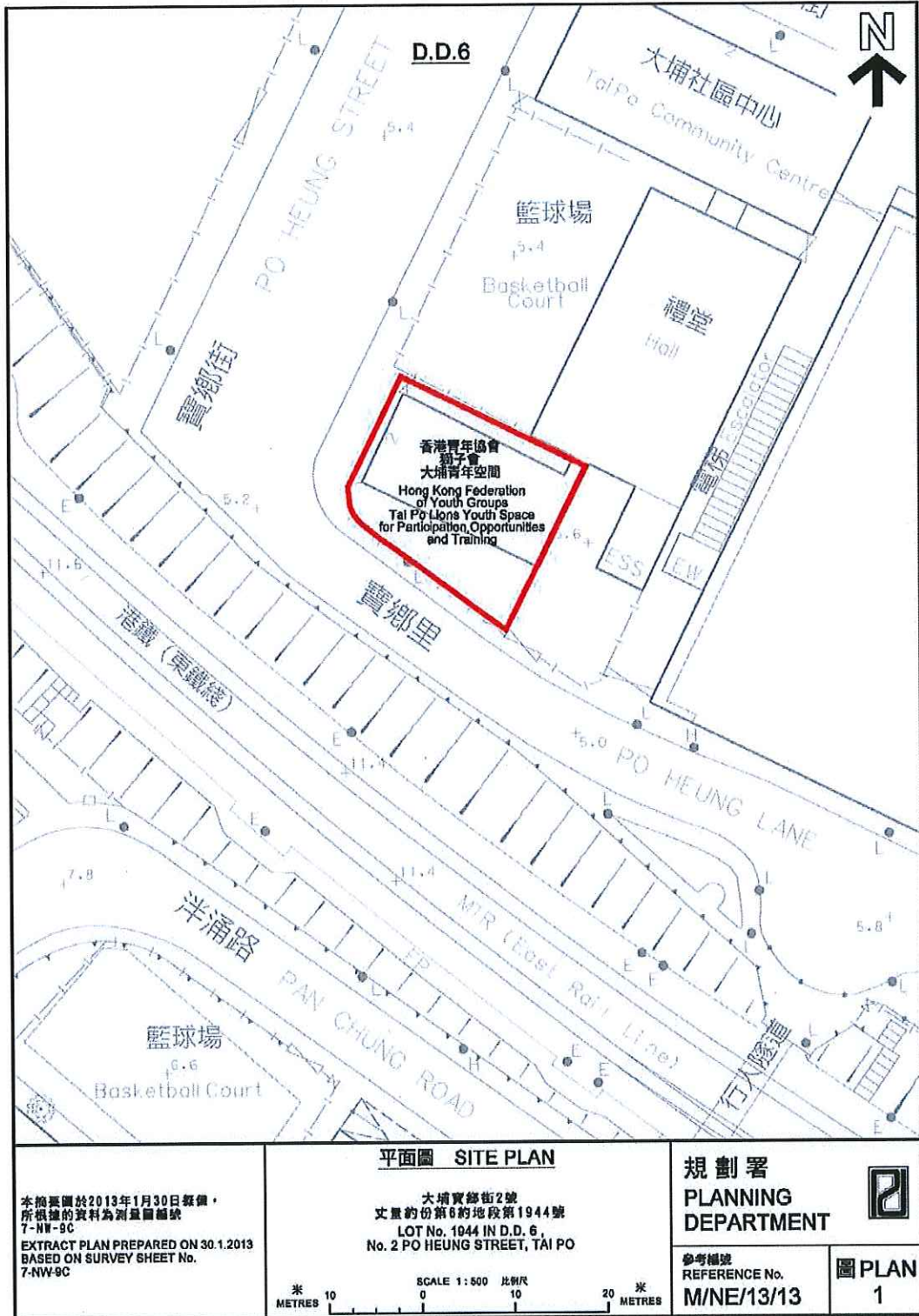
Name of NGOs	Tung Wah Group of Hospitals (TWGHs)	Hong Kong Federation of Youth Groups (HKFYG)
Location	No. 122A-130, Hollywood Road, Sheung Wan, Hong Kong (See site plan at Enclosure I)	2 Po Heung Street, Tai Po Market, Tai Po, New Territories (See site plan at Enclosure II)
Current use	Vacant school	Youth centre
Site area	1,632 sq.m. (of which about 450 sq.m. is used for the structure of the proposed youth hostel)	402 sq.m.
Estimated number of hostel places	About 200	To be estimated
Current zoning	“Government, Institution & Community” (“GIC”)	“GIC”
Type of lease	Private land lease held by TWGHs	Private treaty grant held by HKFYG

Site plan for TWGHs' proposed site for Youth Hostel Scheme
 No. 122A-130, Hollywood Road, Sheung Wan



Note: Site boundary is demarcated by the red line. Area in blue denotes the site for constructing the proposed youth hostel.

Site plan of HKFYG's proposed site for Youth Hostel Scheme
2 Po Heung Street, Tai Po



Note: Site boundary is demarcated by the red line.