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23 March 2016

Ms Joanne MAK
Clerk to Panel on Home Affairs
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms MAK,

**Panel on Home Affairs
Briefing by the Secretary for Home Affairs
on the Chief Executive's 2016 Policy Address**

Youth Hostel Scheme

The Legislative Council Panel on Home Affairs discussed in its meeting on 17 February 2016 the "Briefing by the Secretary for Home Affairs on the Chief Executive's 2016 Policy Address". Members requested us to provide information on various issues. Regarding the youth hostel policy, our reply is as follows.

Land Issues

2. Under the Youth Hostel Scheme (YHS), non-governmental organisations (NGOs) are funded by the Government to build youth hostels on sites owned by them. The sites can be privately-owned or granted to them by way of Private Treaty Grant. When the sites are changed to youth hostel use, the Lands Department (LandsD) will have to modify relevant land leases to ensure that the youth hostels are developed in accordance with the Government's policy objectives. If the youth hostels breach the lease conditions or cease to be operated, the Government will reserve the right to re-enter the land and take over the relevant buildings. LandsD will modify the land leases at nil premium and nil administrative fee, subject to policy support from the Home Affairs Bureau (HAB). We will consider each youth hostel project on its own merits and liaise with District Lands Offices and relevant NGOs to draw up the details of each land lease.

Monitoring Mechanism on the Use of Surplus from Hostel Operation

3. NGOs should establish a "mandatory reserve" to cover the cost of maintenance for the hostel during the lease term. With prior approval from the Secretary for Home Affairs (SHA), NGOs are allowed to transfer the operating surplus arising from the "mandatory reserve" to their other non-profitable use(s). This enables NGOs to benefit more members of the community through the operation of youth hostels, instead of limiting their work to the young tenants living in the hostels. HAB reserves the final discretion to refuse participating NGOs to transfer any surplus from the operation of youth hostels to other uses.

4. In order to ensure the proper operation of youth hostels, the Government will sign an "Grant and Operational Agreement" with relevant NGOs which requires the NGOs to submit annual financial reports approved by auditors to the Government.

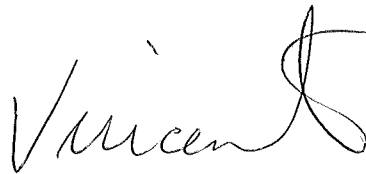
Rental Level

5. Under the YHS, we require that the rental level should not exceed 60% of the market rent of flats of similar sizes in nearby areas, so that young tenants can accumulate savings to meet their medium-term aspirations.

6. Since the youth hostel tenants can already benefit from the lower rental, we prefer allowing certain flexibility for NGOs to benefit more members of the community through the operation of youth hostels, instead of limiting their work to the tenants of the youth hostels. Therefore, if operating surplus arises from the “mandatory reserve”, NGOs are allowed to transfer it to other non-profitable services, subject to prior approval from SHA. Since there is only an upper limit to the rental level of youth hostels, if operating surplus arises from the “mandatory reserve”, NGOs may also choose to further lower the rental level after considering their service mission and other factors.

7. May I take this opportunity to express our gratitude to Members for their concern over the youth hostel policy. Regarding Members’ suggestions and questions on other policy areas of this bureau, we will reply separately.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Vincent Fung". The signature is written in a cursive style with a large, stylized initial "V".

(Vincent FUNG)
for Secretary for Home Affairs