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Panel on Development

Meeting on 23 June 2020

**Updated background brief on the funding scheme to support the use of
vacant government sites by non-government organizations**

Purpose

This paper provides background information on the funding scheme to support the use of vacant government sites by non-government organizations ("NGOs") ("the Funding Scheme"), and summarizes the views and concerns expressed by Members on the subject at relevant committees of the Legislative Council.

Background

2. At present, a number of vacant government sites (including vacant school premises ("VSPs") on government land available for application) are available for use by NGOs to support community, institutional or other non-profit-making initiatives, on an application basis and through the issue of short-term tenancies ("STTs"). To facilitate the taking forward of worthy projects by NGOs and make better use of these vacant sites, the Financial Secretary announced in his 2018-2019 Budget that \$1 billion would be set aside to subsidize the costs of basic works of eligible projects. On 25 January 2019, the Finance Committee approved the creation of a non-recurrent commitment of \$1 billion for the implementation of the Funding Scheme.¹ Subsequently, the Development Bureau ("DEVB") launched the Funding Scheme and started receiving applications from NGOs on 21 February 2019.²

¹ Please refer to [FCR\(2018-19\)72](#).

² Details of the funding scheme (including application guidelines and procedures) are available on DEVB's website:
https://www.devb.gov.hk/en/issues_in_focus/Funding_Scheme_to_Support_the_Use_of_Vacant_Government_Sites_by_Non_government_Organisations/index.html

3. According to the Administration, the Funding Scheme does not change, but supplements, the current mechanism for handling applications for use of vacant government sites. At present, in relation to unleased and unallocated government sites that are under the Lands Department ("LandsD")'s management and may be suitable for temporary uses by way of STTs,³ District Lands Offices of LandsD would, upon receipt of an application from an NGO, consult relevant bureaux/departments on the proposal. A prerequisite for the approval of an application is that policy support has been given by a relevant bureau whose portfolio oversees the provision of services related to the relevant community, institutional or other non-profit-making use being applied for. When more than one application have received the requisite policy support, LandsD would escalate the case to DEVB (Planning and Lands Branch) for a steer. Apart from those under LandsD's management, there are also a small number of vacant sites managed by the Government Property Agency or other departments, and are available for use by NGOs by way of STTs or other tenancy arrangements. To optimize their use, the Administration has also included these vacant sites for the purpose of the Funding Scheme.

Eligibility and scope of financial and technical support

4. After an NGO⁴ has received in-principle approval from a relevant authority for renting a vacant government site (including VSP) under the existing mechanism, it may make an application for funding support under the Funding Scheme.

5. According to the Administration, subject to a cap of \$60 million, the funding to be allocated to each approved project varies, depending on a number of site-specific factors, in particular the size of the site, existing conditions, technical requirements and the uses proposed. The subsidies will

³ Under LandsD's current practice, STTs let by direct grant are normally granted for the fixed term of a duration ranging from one-to five years (in some cases with policy justifications a longer term of up to seven years may be granted) and thereafter continue monthly or quarterly if the site concerned is not immediately required for permanent or other temporary uses.

⁴ The NGO concerned should meet any of the following criteria:

- (a) it is a charitable institution or trust of a public character exempted from tax under section 88 of the Inland Revenue Ordinance (Cap. 112), or a company incorporated under the Companies Ordinance (Cap. 622) as a limited company by guarantee whose objects and powers do not include distribution of profits to members, or a non-profit-making society registered or body established under any legislation in Hong Kong; or
- (b) it takes the form of a social enterprise.

support one-off, basic, and essential restoration works required to make the sites/premises fit for use.⁵ The costs in relation to consultancy services commissioned to determine the technical feasibility or parameters of the proposed works,⁶ as well as insurance policies covering any potential claims that may arise during surveys, investigations and renovation works, may also be covered. Yet, the Funding Scheme does not cover the cost for interior fitting-out, or the cost of furniture and equipment procured purely for the NGOs, or other operating or recurrent expenses (e.g. general repair and maintenance) to be incurred in implementing the proposed short-term use on the vacant sites.

6. While the restoration works on the vacant sites or school premises are essentially executed by consultants, professionals and contractors engaged by the relevant NGOs upon approval of the funding applications, DEVB and government professional departments may also provide technical advice and support to facilitate the smooth completion of projects.

Number of approved applications

7. In April 2020, DEVB provided a progress report on the Funding Scheme to the Panel on Development ("the Panel") ([LC Paper No. CB\(1\)500/19-20\(01\)](#)). According to the Administration, as at 31 March 2020, DEVB has received a total of 12 applications and approved the funding for the entire project or phased funding for eight of them. The ceiling of funding approved so far for the eight projects is about \$72 million in total. The remaining four applications are being processed. A list of the eight approved projects is in **Appendix I**.

Major views and concerns expressed by Members

8. Members had expressed various views on the Funding Scheme at meetings of the Panel and the Finance Committee. Members' major concerns are summarized in the ensuing paragraphs.

⁵ Such works may include slope upgrading works, site formation, erection of temporary structures (such as those using modular integrated construction methods), provision of sewerage/drainage or other basic facilities, pedestrian/vehicular access, renovation of existing premises, installation of fire safety equipment or barrier-free facilities, etc.

⁶ The consultancy services may cover: (a) detailed design of the proposed restoration works, and engagement of contractors to pursue preliminary works for site investigation and surveys; (b) submissions to Buildings Department and other government departments; (c) tendering and management of works contracts; and (d) site supervision.

Mechanism for handling applications for the Funding Scheme

9. Members were keen to ensure that the mechanism for submitting and approving funding applications for the funding scheme would be kept simple to minimize bureaucracy. The Administration advised that to facilitate eligible NGO-applicants to take forward worthy projects on vacant government sites, the Administration would see if the whole STT application process, particularly on the aspect of seeking policy support from the relevant policy bureau, could be streamlined. In addition, DEVB would keep the mechanism for processing funding applications simple, minimize bureaucracy and facilitate the kick-starting of worthy projects as early as possible.

10. Members were also concerned about whether and how updated information on vacant government sites available for STT applications was effectively disseminated for reference by NGOs interested in using vacant government sites. The Administration indicated that information on vacant government sites (including VSPs) under the management of LandsD and available for STT applications for community, institutional, or non-profit-making purposes had been uploaded to the "[GeoInfo Map](#)" website of LandsD, with the site information therein updated every two weeks.

Uses of the vacant government sites under the Funding Scheme

11. Some Members urged the Administration to consider supporting the use of vacant government sites for providing not-for-profit transitional housing and residential care homes for the elderly ("RCHEs") by NGOs under the Funding Scheme. Expressing concerns that many vacant government sites were located at remote areas, Members hoped that more vacant government sites in urban areas could be made available for NGOs to carry out transitional housing or other projects.

12. The Administration advised that the Transport and Housing Bureau chaired a task force to provide one-stop, co-ordinated support to assist NGOs in pursuing not-for-profit transitional housing projects. NGO projects for using vacant government sites to provide transitional housing endorsed by the said task force could apply for financial subsidies under the Funding Scheme. That said, drawing reference from recent experience of NGOs, a transitional housing development project would require about 1 000 square metres ("sq m") of land. As 60% of the vacant government sites available for application only had a size of 500 sq m or below, these sites might not be suitable for transitional housing development. As regards the provision of RCHEs at vacant government sites, projects on the provision of non-profit-making RCHEs with the requisite policy support were eligible to apply for the Funding Scheme.

Scope and ceiling of financial support

13. Some Members considered that the financial assistance under the Funding Scheme, which was capped at \$60 million for each approved project, might not be sufficient for NGOs to complete the projects in case there was cost overrun or a need to erect new structures atop bare vacant government sites. They also pointed out that the \$1 billion fund from the Funding Scheme was only sufficient to support 17 projects at most, assuming that each project was granted the maximum funding amount of \$60 million. Such a level of funding support was only a drop in the bucket, considering that there were approximately 900 vacant government sites available.

14. The Administration advised that drawing reference from the costs of basic works for comparable projects in recent years, renovation expenses for VSPs could cost up to \$60 million, while the cost of erecting new structures on vacant sites using modular integrated construction methods could range from over \$800,000 to \$60 million. When setting the funding ceiling, the Administration had already made reference to the above figures and factored in additional provisions. In principle, the Funding Scheme would not cover any expenses above the funding ceiling. That said, in case of cost overrun caused by unforeseen factors, resulting in total project expenses exceeding \$60 million, the Administration would consider such cases on a case by case basis. Subject to enthusiastic response to and satisfactory results of the Funding Scheme, the Administration would consider seeking additional funding for the scheme to support more projects.

15. Members called on the Administration to expand the scope of the Funding Scheme to cover the costs for interior fitting-out, furniture and equipment. Given that the approved subsidies from the Funding Scheme would be disbursed to NGOs by instalments on a reimbursement basis yet some smaller NGOs might not afford the upfront payment for the restoration and repair works, Members also called on the Administration to provide advance payment of the costs of works to the successful applicants, and take up the essential restoration works to make the sites fit for use (such as slope upgrading works, site formation, and provision of sewerage/drainage) before letting them out to NGOs.

16. The Administration advised that the Funding Scheme was intended for providing successful NGO-applicants with subsidies to support one-off, basic, and essential restoration works required to make the sites/premises fit for use. Should NGOs need any financial assistance to cover the cost for interior fitting-out, furniture and equipment, and other operating or recurrent expenses (e.g. repair and maintenance), they might seek financial assistance from funding schemes such as the Community Care Fund or the Lotteries Fund. While the approved grant would be disbursed by instalments, normally on a reimbursement basis, subject to the fulfilment of project milestones in the

funding agreement and verification of certified invoices or bills, DEVB would consider exercising flexibility in the disbursement of the approved funding in accordance with the certified works contracts, quotations and payment documents if the NGO concerned had difficulties in settling the payment first.

Monitoring and control

17. Some Members asked about the monitoring and control of the implementation of the works approved under the Funding Scheme. The Administration advised that successful applicants would be required to sign a separate funding agreement with the Government in respect of the implementation of the approved works on the relevant sites and premises. Each successful applicant had to keep a proper set of books and records for the project receiving funding support under the Funding Scheme, and submit regular progress reports and financial reports against the milestones agreed in the funding agreement until completion of the project, as well as audited statements certified by independent auditors upon completion of the project. In addition, a control mechanism would also be in place to suspend the disbursement of funding or even cease a project when necessary.

Council questions

18. At the Council meetings of 3 April 2019, 30 October 2019 and 26 February 2020, Members raised questions relating to the use of vacant government premises and sites. The hyperlinks on the questions and the Administration's replies are provided in **Appendix II**.

Latest development

19. At the meeting of the Panel to be held on 23 June 2020, the Administration will brief members on the progress of the implementation of the Funding Scheme.

Relevant papers

20. A list of relevant papers is in **Appendix II**.

**Funding Scheme to Support the Use of Vacant Government Sites by Non-government Organizations
Applications with Funding Approved (As at 31 March 2020)**

<i>(A) One-off funding approval for the entire projects</i>						
	Site Location	Name of Applicant	Short-term Uses Applied For	Initial Funding Applied For By NGOs*	Ceiling of Funding Approved (\$) #	Time of Signing Funding Agreement
1	Small Trader New Village, Yuen Long (Ex-Small Trader New Village Public School)	Yuen Long Kam Kwong Church	Integrated community service centre	\$7 million	\$7.5 million	October 2019
2	Ko Po San Tsuen, Kam Tin, Yuen Long	House of Joy & Mercy	Animal boarding establishment	\$6 million	\$7.4 million	October 2019
<i>(B) Funding approved for the entire project in stages</i>						
3	Shing Sai Road, Kennedy Town	Rough C	Community garden	\$41 million	Stage 1: \$2.6 million Stage 2: \$35.6 million Total: \$38.2 million	Stage 1: June 2019 Stage 2: October 2019
<i>(C) Stage 1 funding approved for preliminary works (i.e. detailed design and site investigation)</i>						
4	Lin Ma Hang Road, Ta Kwu Ling (Ex-Sam Wo Public School)	Hong Kong Seeing Eye Dog Services	Guide dog training school and ancillary facilities	Entire project: \$39 million	Stage 1: \$3 million	October 2019
5	Ha Chuk Yuen Road, San Tin, Yuen Long (Ex-Chuk Hing Public School)	Fruit Garden Social Enterprise	Organic farm and animal training centre	Entire project: \$25 million	Stage 1: \$2.1 million	November 2019
<i>(D) Applications in relation to transitional housing</i>						
6	Victoria Road, Mount Davis	Society for Community Organization	Transitional housing	Entire project: \$5.9 million	\$5.9 million [^]	October 2019
7	Yip Shing Street, Kwai Chung	The Hong Kong Council of Social Service	Transitional housing	Preliminary works: \$2.9 million	\$2.9 million	November 2019
8	Junction at Hoi Hing Road/ Hoi Kok Street, Tsuen Wan	Yan Chai Hospital Board	Transitional housing	Preliminary works: \$3.3 million	\$3.3 million	April 2020 (expected)

Notes:

* Initial estimated cost of restoration works indicated on the application forms.

The Development Bureau has discussed and clarified essential details of the proposed works and the cost estimates with non-government organization ("NGO")-applicants with reference to the information provided in the application forms. Upon verification, the Assessment Committee would consider and decide on the funding ceiling approved for individual projects. As NGOs might not be able to grasp the estimated expenditure realistically at the time when they submitted applications, the approved funding ceiling could be different from the funding amount originally applied for. The actual funding to be disbursed by installments (on a reimbursement basis) would depend on the implementation of the projects.

[^] An additional \$1.5 million was approved to entrust Civil Engineering and Development Department to assist the NGO-applicant in carrying out upgrading works for the adjoining slope.

**Funding scheme to support the use of vacant government sites
by non-government organizations**

List of relevant papers

Committee	Date of meeting	Paper
Panel on Development	27 November 2018	Administration's paper on "Proposed funding scheme to support the use of vacant government sites by non-government organizations" [LC Paper No. CB(1)190/18-19(04)] Minutes of meeting [LC Paper No. CB(1)730/18-19]
	23 June 2020	Administration's paper on "Progress report on funding scheme to support the use of vacant government sites by non-government organizations for the financial year 2019-2020" [LC Paper No. CB(1)500/19-20(01)]
Finance Committee	25 January 2019	Administration's paper on the funding proposal for a new non-recurrent commitment of \$1 billion for the implementation of a funding scheme to support the use of vacant government sites by non-government organizations [FCR(2018-19)72] Minutes of meeting [LC Paper No. FC239/18-19]

Hyperlinks to relevant Council questions and the Administration's written replies:

Date	Council question
3 April 2019	Question raised by Hon LAU Kwok-fan on " Making good use of government properties and lands "
30 October 2019	Question raised by Hon IP Kin-yuen on " Vacant school premises under the Education Bureau "
26 February 2020	Question raised by Hon CHAN Han-pan on " Vacant government sites managed by Lands Department "