

**For discussion
on 26 January 2010**

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT
"Operation Building Bright" – Progress and Update**

PURPOSE

This paper informs Members of the latest progress of the implementation of "Operation Building Bright" (the Operation).

BACKGROUND

2. As a specific measure for "Preserving Jobs" amidst the 2008 financial tsunami, the Government, in collaboration with the Hong Kong Housing Society (HKHS) and the Urban Renewal Authority (URA), has implemented the \$2-billion Operation to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. The Operation, being a one-off campaign, aims to achieve the dual objective of creating more job opportunities for the construction sector as well as improving building safety and the cityscape. The Finance Committee of the Legislative Council (LegCo) has approved a total funding allocation of \$1.7 billion¹ for the Government's contribution to the Operation, while the remaining \$300 million is contributed by the HKHS and the URA on an equal sharing basis.

3. The Operation covers two categories of buildings -

Category 1 target buildings cover buildings with owners'

¹ The Government's original contribution to the Operation as approved by the Finance Committee on 24 April 2009 was \$0.7 billion. As there were more applications from owners of old and dilapidated buildings than could be accommodated by the approved commitment of \$0.7 billion, the Finance Committee approved on 3 July 2009 an additional funding of \$1 billion to expand the Operation, increasing the total Government funding for the Operation to \$1.7 billion.

corporations (OCs) established. OCs of eligible buildings may apply for joining the Operation 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 for processing the applications of the eligible buildings. Upon receipt of an "approval-in-principle" for participating as a Category 1 target building of the Operation, an OC should, in accordance with the stipulated procedures and timeframe, appoint an authorised person to co-ordinate the repair works and a qualified contractor to carry out the works. 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; and

Category 2 target buildings are buildings having difficulties in co-ordinating repair works, such as buildings without OCs. The selected Category 2 target buildings in the Operation include buildings with defaulted repair orders issued by the Buildings Department (BD). We have also invited LegCo and District Councils to nominate buildings as Category 2 target buildings, and the BD has inspected these buildings. The Steering Committee of the Operation (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 so as to effect the necessary repair works. 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 it to carry out the repair works stipulated in the orders on behalf of the owners. After deducting the amount of subsidies available under the Operation, the BD will take action to recover the remaining repair costs (including supervision charges) 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 covered by Category 1 target buildings. In this connection, the HKHS/URA will render assistance to them, including technical advice and coordination support.

The eligibility criteria of target buildings and scope of works for the Operation are set out at **Annex A**.

LATEST UPDATE AND PROGRESS

Category 1 Target Buildings

4. We have in total received 1,128² applications for Category 1 target buildings, among which 1,020 applications meet the eligibility criteria or have not been withdrawn by the applicants. As we have increased the overall allocation for the Operation from the original \$1 billion³ to \$2 billion⁴, all eligible Category 1 target buildings could benefit from the Operation. We have followed the priorities accorded by the computer ballot held in June 2009 to process the eligible applications in an orderly manner. Up to 8 January 2010, 959 Category 1 target buildings have been granted “approvals-in-principle”. Amongst these buildings, 64 are undertaking repair works, and the works of another two buildings have generally been completed. The HKHS and URA are continuing to process the remaining 61 cases. It is anticipated that “approvals-in-principle” could be granted to most of these remaining applications by the end of January 2010.

² The largest numbers of applications are in Yau Tsim Mong and Sham Shui Po Districts, with 297 (about 26%) and 129 (about 11%) applications respectively.

³ The original budget of the Operation was \$1 billion, of which \$0.7 billion was contributed by the Government and the remaining \$300 million was contributed by the HKHS and the URA on an equal sharing basis.

⁴ See Footnote 1.

Category 2 Target Buildings

5. Up to 8 January 2010, 603 buildings had been selected by the Steering Committee as Category 2 target buildings. Such buildings comprise dilapidated buildings with defaulted statutory orders and buildings nominated by stakeholders.

6. 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 LegCo Members. After considering the building conditions and relevant information of the nominations, the Steering Committee has included 263 nominated buildings as Category 2 target buildings. As for the remaining 250 nominated buildings, 67 have earlier submitted applications to participate as Category 1 target buildings and these cases are being assisted by the HKHS and the URA. The remaining buildings have not been included as Category 2 target buildings as they do not meet the relevant criteria of the Operation, such as use of building, building age, number of residential units, average rateable value, building condition, etc.

Repair Works conducted by BD

7. Amongst those Category 2 target buildings where owners or OCs are not capable of organising repair works by themselves and need the BD to arrange the repair works, 124 buildings have commenced repair works, among which the repair works of 17 buildings have generally been completed. The works for the remaining 107 buildings are in progress. It is anticipated that the works for most of these buildings will be completed before mid-February 2010 (i.e. the Lunar New Year).

Repair Works conducted by Owners

8. Regarding those Category 2 target buildings where the owners or OCs are willing to organise repair works, the number of cases with “approvals-in-principle” granted is 60. Amongst them, repair works in 16 buildings have commenced, and the works of another building have generally been completed. Moreover, owners of another 33 buildings

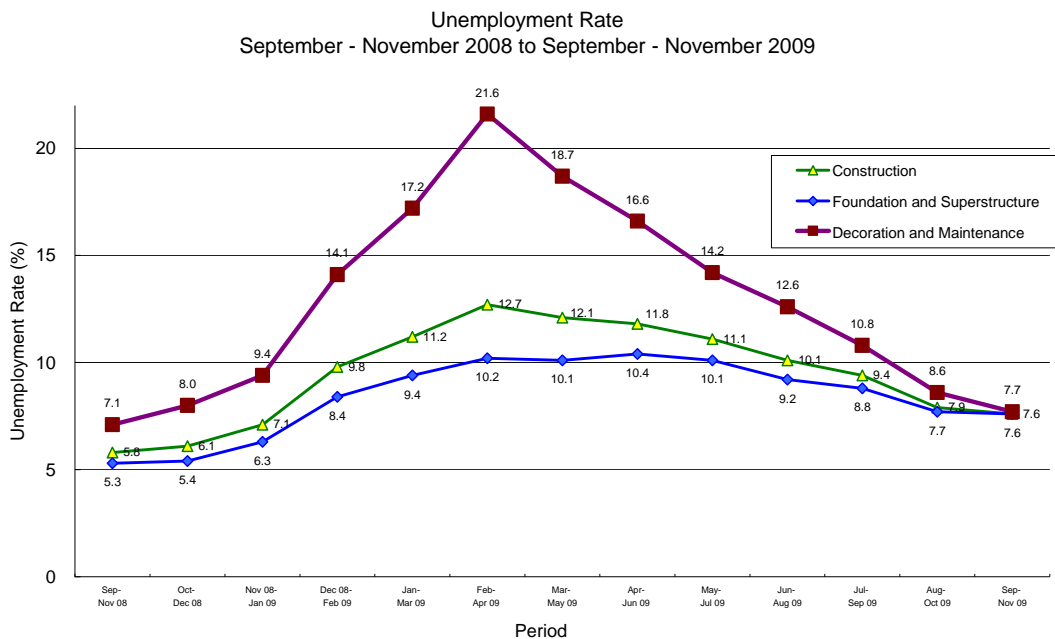
have also expressed their willingness to organise repair works by themselves. Depending on the progress of organisation of works by the owners, the HKHS and the URA will gradually process these cases with an aim to granting “approvals-in-principle” to the owners as soon as possible.

9. For the remaining Category 2 target buildings selected, 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 consultants and contractors to carry out repair works for those buildings where the owners are unable to do so.

10. Thus, for both Categories 1 and 2 in total, 20 buildings have completed repair works, 187 buildings have repair works underway and 936 buildings with approvals-in-principle granted will proceed to works upon completion of the procurement procedures. Another 419 buildings that have been selected under Category 2 are having their repair arrangements being coordinated. Some photographs showing buildings undergoing the Operation are at **Annex B**.

Job Creation

11. From our experience so far, the Operation has been effective in creating job opportunities. On average, each target building can generate about 20 job opportunities for building professionals, contractors, technicians, workers, etc. This is about double that of our original estimate of about ten job opportunities per building. We are also glad to see that since the launch of the Operation on 7 May 2009, the employment situation of the construction sector has been gradually improving. According to the statistics released by the Census and Statistics Department, comparing the quarterly periods of March-May to September-November in 2009, the unemployment rate of the construction sector decreased from 12.1% to 7.6% and the unemployment rate in the decoration and maintenance sub-sector decreased from 18.7% to 7.7% (for details, see chart below). The Operation has so far altogether created about 4,700 job opportunities. We will continue with our efforts to implement the Operation with a view to creating more jobs to help alleviate the unemployment condition in the construction sector.



Public Education and Publicity

12. The Operation has provided good education opportunities for both building owners and building industry in various building maintenance concepts and practices. Through the coordination of government departments and our partner organisations, we have reached out to a wide audience of stakeholders involved in building management and maintenance to update them on the latest best practices and exchange views on the subject. This has benefitted not only the audience but also the Government and our partner organisations as we can promote the concept of building repair and at the same time get from our audience feedback that would serve as useful reference for the future.

Building Owners

13. Since the launch of the Operation, the HKHS and URA have altogether held more than 160 seminars and briefings for OCs and owners to introduce the requirements and details of the Operation as well as the general concepts and procedures of good building management and coordination of building repair works. We believe that with the

experience gained in the Operation, this group of OCs and building owners will be better equipped to handle building maintenance and repair works in the future. The Operation has also encouraged many owners and OCs to take active voluntary efforts to maintain and manage their buildings. Many owners have also initiated or speeded up their efforts to establish OCs so as to better coordinate the Operation's repair works and to manage their buildings in the long run. So far, 32 Category 2 target buildings have speeded up their efforts and completed the formation of OCs after the launch of the Operation on 7 May 2009. We will continue with our efforts to encourage more Category 2 target buildings to establish OCs to improve their building management.

Building Industry

14. So far, four seminars have been organised by the HKHS, URA, Environmental Protection Department and Independent Commission Against Corruption (ICAC) for authorised persons and contractors to introduce the technical reporting requirements and procedures of the Operation and, at the same time, remind them to observe the environmental protection requirements as well as anti-corruption procedures in pursuing repair works. To complement the above efforts, the Labour Department (LD) has joined hands to promote work and labour safety in execution of repair works. Apart from distributing publicity pamphlets on work and labour safety to OCs, professionals and contractors, the LD, BD, HKHS and URA have enhanced their monitoring efforts on those target buildings with repair works in progress for ensuring work and labour safety. Specific seminars on work and labour safety for workers, technicians and professionals are also being arranged.

Promotion of Anti-corruption

15. To prevent corruption and malpractice in the execution of repair works under the Operation, the HKHS and URA have, in consultation with the ICAC, formulated and issued the "Operation Building Bright Maintenance Guidelines" to OCs, consultants and contractors, stipulating the requirements and procedures for selection and management of consultants and contractors, anti-bribery and anti-collusion practices, as

well as the detailed roles and duties of the parties involved in the repair works etc. under the Operation. The HKHS and URA have also taken into account the advice and recommendations of the ICAC in formulating their internal work flow and procedures for processing the applications and target buildings under the Operation covering restrictions on acceptance of advantage and outside work, handling of confidential information, declaration of conflict of interests, etc. Both HKHS and URA also employ independent consultants to audit the maintenance costs of target buildings to prevent malpractice and to monitor the consultants and contractors engaged by building owners for compliance with the Operation's requirements.

OBSERVATIONS AND EXPERIENCE GAINED IN THE OPERATION

Effect of Coordination Bodies in Repair Works

16. From our observation, active participation of building owners in the decision-making process together with the management and liaison support from a coordination body, such as an OC, a Mutual Aid Committee (MAC) or a property management company, are paramount to the smooth preparation and execution of repair works under the Operation. Conducting building maintenance works for common areas is not an easy task and requires collective decision. A coordination body plays a pivotal role in assisting owners in coordinating meetings, making applications for the Operation, inviting tenders, formulating the scope of repair and maintenance budget, resolving day-to-day issues during the execution of repair works, etc. The promulgation of clear maintenance guidelines and the provision of one-stop technical support by teams of property management and maintenance professionals from the HKHS and URA have also complemented the owners' efforts in pursuing the repair works, especially for those owners and OCs with little prior knowledge or experience in coordinating large-scale building maintenance works. They feel more comfortable in the process of conducting the repair works if there is an agency to answer their enquiries and provide technical advice.

Coordinated Efforts in Promoting Building Safety

17. Through the implementation of the Operation, the BD, HKHS and URA have further consolidated their partnership in promoting building safety. With BD focusing on its statutory role to take enforcement actions and HKHS and URA on the provision of practical advice and technical support, the three organisations have created much synergy in taking forward their shared goal of improving building safety in Hong Kong. We will continue to nurture such *modus operandi* so developed as we continue to implement the Operation, and utilise the same in pursuing the Government's future policy initiatives to enhance building safety, in particular in the implementation of the proposed Mandatory Building Inspection Scheme (MBIS) and Mandatory Window Inspection Scheme (MWIS). We will soon introduce into LegCo an amendment bill for implementing the two Schemes, the aim of which is to address the long-standing problem of building neglect in Hong Kong through preventive maintenance. Building owners will be required to inspect the common areas and windows in their buildings periodically and carry out repair works as necessary. The coverage of the Schemes will be wider than that of the Operation, with the MBIS covering buildings⁵ aged 30 years or above and MWIS buildings⁶ aged ten or above. Whilst the Government and our partner organisations will continue to offer suitable assistance to owners, the smooth implementation of the Schemes will depend on the active participation of building owners themselves, who have the ultimate responsibility to properly maintain the conditions of their own properties. With the partnering model developed through the one-off Operation, we will utilise our experience gained to provide advice and assistance to owners in complying with the two Schemes.

18. Buildings that have participated in the Operation will have their building safety conditions improved and hence the need for substantive repair works for them for the near future would be minimised. The experience in managing and coordinating repair works gained by owners and OCs involved in the Operation will be useful in their future

⁵ Apart from domestic buildings with three storeys or less.

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coordination of inspection and maintenance works under the MBIS and MWIS.

WAY FORWARD

19. As mentioned above, so far, 1,020 Category 1 and 603 Category 2 target buildings are being included in the Operation. The BD and the Steering Committee are continuing their effort to inspect and identify additional buildings with difficulties in coordinating repair works as Category 2 target buildings. In respect of Category 1 target buildings with works underway or completed, the estimated highest, average and lowest grants per building are \$4.74 million, \$1.19 million and \$204,000 respectively. For Category 2 target buildings with works in progress or completed, the estimated highest, average and lowest grants per building are \$1.19 million, \$243,000 and \$20,000 respectively.

20. Based on our estimation so far, after completion of the works in respect of all the eligible applications received under Category 1 and selected buildings under Category 2, there will still be some uncommitted funds available out of the \$2 billion for further deployment. A more precise estimate on the uncommitted funds will be available when more buildings have finalised their scope of repair works as well as the maintenance budget. We are contemplating how best to make use of the remaining funds to assist more target buildings and would wish to seek Members' advice. Possibilities include –

- (a) whether we should use the remaining funds to assist more Category 1 target buildings or more Category 2 target buildings or both?
- (b) if we prefer to assist more Category 1 target buildings which means we should invite another round of applications, should we alter any of the existing criteria for the target buildings? For example, we have received some requests that the “no more than 400 residential units” limit should be dropped.

21. We will continue to monitor the implementation of the Operation, and report further to this Panel the latest progress and our plan in

mid-2010. In mapping out our next steps, we will bear in mind the suggestions received from stakeholders regarding the eligibility criteria for the Operation, the lead time needed for building owners for preparation, the availability of building professionals and contractors in the market as well as the need to suitably spread out building repair works being conducted in Hong Kong.

22. Our intention is to make full use of the \$2 billion of this one-off Operation to aid as many buildings as possible. Depending on the arrangement for making use of the remaining funds available under the Operation, it is anticipated that the duration of the Operation and disbursement of funding to HKHS, URA and BD to operate the scheme may extend beyond the last quarter of 2011. The overall spending of the Government will not exceed the \$1.7 billion allocated.

ADVICE SOUGHT

23. Members are invited to note the latest progress of the Operation.

Development Bureau
January 2010

**Operation Building Bright
Eligibility Criteria of Target Buildings and Scope of Works**

Eligibility Criteria of Target Buildings

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 areas¹, 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 Buildings Department).

Scope of Works

2. The grant of the Operation 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;

¹ Using the Hong Kong Housing Society's current delineation for simplicity, urban areas include Hong Kong Island, Kowloon, Sha Tin, Kwai Tsing and Tsuen Wan.

- (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 paragraph 2(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.

3. After covering the cost of works stated in paragraph 2 above, any remaining grant may be used for additional repair and improvement works in the common areas, including –

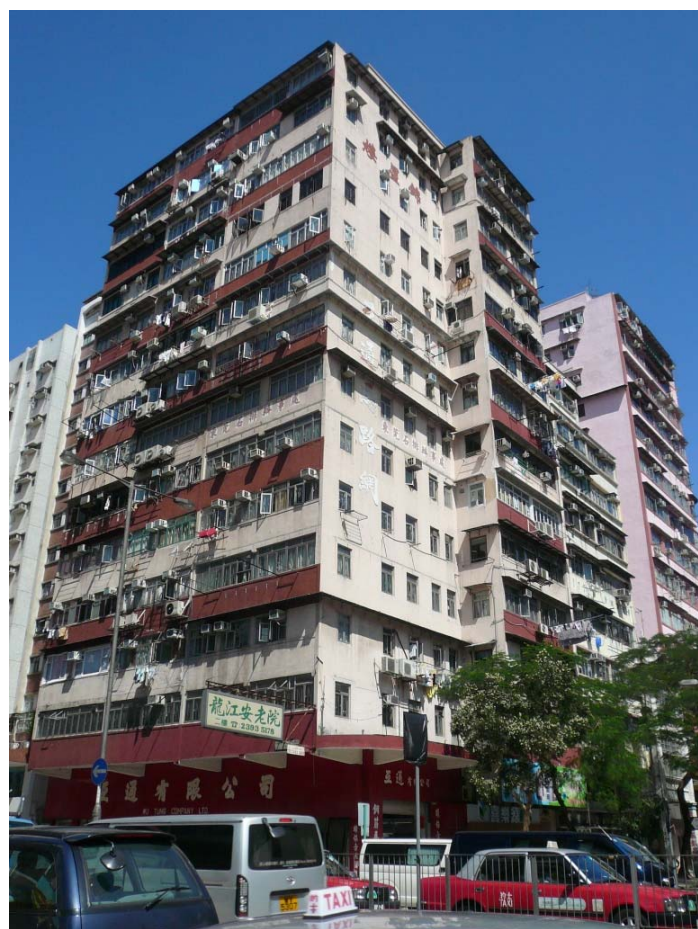
- (a) removal of unauthorised building works and illegal rooftop structures;
- (b) improvement of fire safety constructions, and fire service installations and equipment of buildings;
- (c) improvement of building services and facilities, e.g. repairing, maintaining and replacing lifts, electrical wiring, 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 paragraph 3(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.

Operation Building Bright

Photo Record of Some Target Buildings

**A target building in
Yau Tsim Mong District**



Before repair works

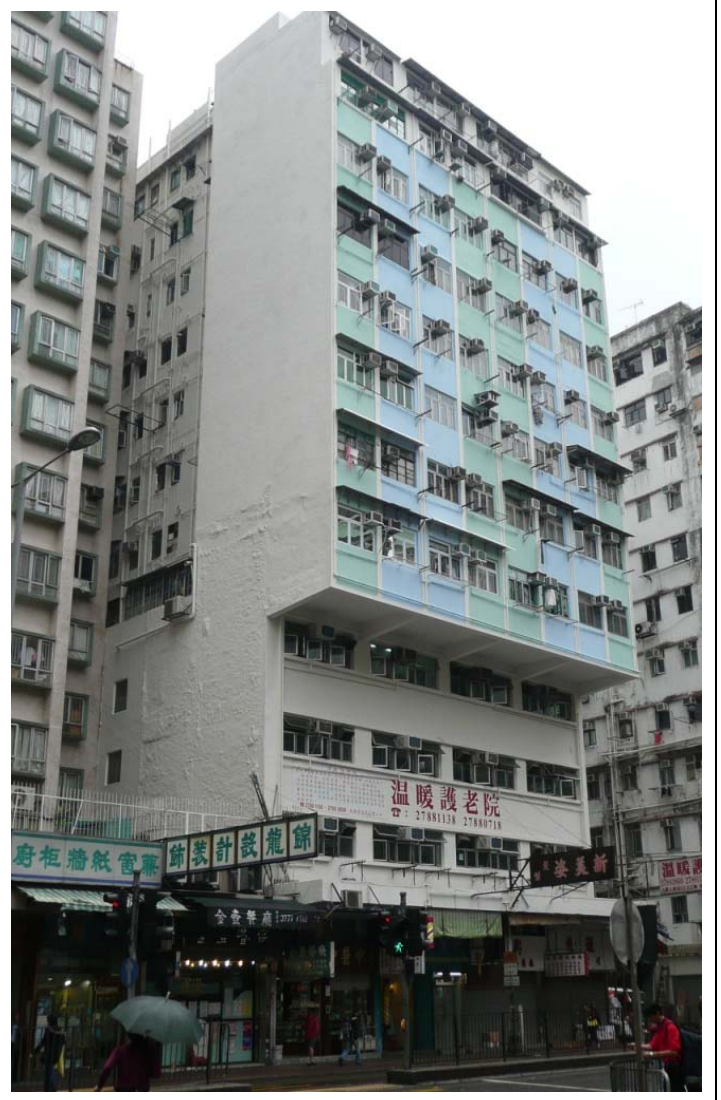


After repair works

A target building in Sham Shui Po District



Before repair works



After repair works

Some Target Buildings with Works-in-progress

A target building in Kowloon City District



A target building in Kowloon City District



A target building in Wan Chai District



A target building in Tsuen Wan District

