

ITEM FOR FINANCE COMMITTEE

HEAD 138 – GOVERNMENT SECRETARIAT: DEVELOPMENT BUREAU (PLANNING AND LANDS BRANCH)

Subhead 700 General non-recurrent Item 865 Operation Building Bright

Members are invited to approve an increase in commitment from \$2.2 billion by \$1 billion to \$3.2 billion under Head 138 – Government Secretariat: Development Bureau (Planning and Lands Branch) Subhead 700 General non-recurrent Item 865 Operation Building Bright.

PROBLEM

There is a need to increase the approved commitment for implementing the Operation Building Bright (the Operation) to assist eligible building owners who applied for financial assistance in the second round of the Operation to carry out repair and maintenance works for their aged and dilapidated buildings.

PROPOSAL

2. The Secretary for Development proposes to inject an additional funding of \$1 billion into the Operation.

/JUSTIFICATION

JUSTIFICATION***The Operation and Progress To Date***

3. As a special 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), launched the \$2.5 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 one-off Operation aims to achieve the dual objectives of creating more job opportunities for the construction sector amidst the financial tsunami as well as improving safety and maintenance of old buildings.

Encl. 1

4. The Operation caters for the following two categories of target buildings, subject to meeting the eligibility criteria in Enclosure 1 –

- (a) Category 1 covers buildings with owners' corporations (OCs). OCs of eligible buildings may apply for joining the Operation to carry out repair works on a voluntary basis.
- (b) Category 2 covers buildings whose owners have difficulties in co-ordinating repair works, such as buildings without OCs. Depending on the circumstances, the Buildings Department (BD) will issue statutory repair orders to such buildings to effect the necessary repair works. If the owners of the buildings are unwilling or unable to conduct repair works by themselves, BD will arrange consultants and contractors to carry out the works in default of the owners' action. However, if the owners or 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.

5. With the budget of \$2.5 billion, our target was to assist about 2 500 target buildings and create around 50 000 job opportunities for construction and maintenance workers as well as related professionals and technicians.

Category 1 Target Buildings

6. We have invited two rounds of applications from OCs to participate as Category 1 target buildings. The first round of applications was invited between May and June 2009 and a total of 1 128 applications were received, among

/which

which 968¹ applications involving a total of 1 133 buildings met the eligibility criteria and were not withdrawn by the applicants. We followed the priorities accorded by the computer ballot conducted in June 2009 in processing these eligible applications. All of them have been granted with “approvals-in-principle” (AIPs) and are in different stages of execution of repair works. As at 27 May 2011, 337 of the Category 1 target buildings were undertaking repair works and the repair works of another 130 buildings were generally completed. For the remaining 666 buildings with AIPs granted, works will commence upon completion of the necessary procurement procedures in selection and appointment of authorised persons and contractors.

7. The second round of applications from OCs was invited between October and December 2010 and a total of 550 applications were received. Based on the preliminary screening conducted by HKHS and URA, 516 applications involving 789² buildings met the basic eligibility criteria of the Operation and were included in the computer ballot conducted on 22 March 2011 for assigning priority to processing the applications. HKHS and URA have been processing the applications. As at 27 May 2011, four applications involving four target buildings were granted with AIPs.

Category 2 Target Buildings

8. Up to 27 May 2011, 1 165 buildings were selected as Category 2 target buildings. Most of them are old and dilapidated buildings with defaulted statutory orders; or buildings nominated earlier by the Legislative Council (LegCo) and District Council Members.

Repair Works Conducted by BD

9. Amongst those Category 2 target buildings where the owners or OCs are not capable of organising repair works by themselves and need BD to arrange the repair works, as at 27 May 2011, 244 buildings were undertaking repair works, and works of another 215 buildings were generally completed.

/Repair

¹ The number of eligible applications mentioned in paragraph 6 of FCR(2010-11)37 was 1 014. Subsequently, the number was changed to 968 since some applications were withdrawn by OCs or disqualified due to non-compliance with the requirements of the Operation.

² As set out in FCR(2010-11)37, in the second round of the Operation, we have taken into account stakeholders' views and dispensed with the criterion of “no more than 400 residential units” so that all eligible buildings, irrespective of their numbers of residential units, may apply under the Operation. Many of the applications received in the second round involve the carrying out of repair works for more than one building under one OC, and with more than 400 units in total.

Repair Works Conducted by Owners

10. Regarding the Category 2 target buildings where the owners or OCs are willing to organise repair works, the number of buildings with AIPs granted was 116, amongst which 32 buildings were undertaking repair works, and works of another 36 buildings were generally completed. For the other 48 buildings with AIPs granted, works will also commence upon completion of the necessary procurement procedures.

11. For the remaining 590 Category 2 target buildings selected, BD, in collaboration with HKHS and URA, will continue to consult the owners on whether they are prepared or able to organise repair works by themselves, and will arrange to carry out repair works for those buildings where the owners are unable to do so.

Summary of Progress

12. In summary, up to 27 May 2011, 2 302 Categories 1 and 2 buildings were included for assistance under the Operation. Among these, 381 buildings completed repair works; 613 buildings had repair works underway; and works for another 718 buildings with AIPs granted will commence upon completion of the procurement procedures. HKHS, URA and BD are liaising with the owners of another 590 Category 2 buildings with a view to assisting the owners to implement the repair works or carrying out the works on their behalf. A summary of the relevant statistics of the Operation is shown in Enclosure 2. Based on the latest estimation, after completion of repair works for all of the above 2 302 buildings, there will be around \$520 million of uncommitted funds available out of the \$2.5 billion for further deployment.

Encl. 2

Job Creation

13. The Operation has been effective in creating job opportunities for the construction sector. Up to 27 May 2011, it created around 20 300 job opportunities. On average, each target building can generate about 20 job opportunities for building professionals, contractors, technicians, workers, etc. These job opportunities include job positions for workers employed on an individual job basis (e.g. scaffolding, concrete repair, etc.) as well as technicians and professionals employed on contract terms for planning and supervision of the repair projects. 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 2009 (revised) with February-April 2011 (provisional), the unemployment rate of the construction sector decreased from 12.2% to 6.7%, and the unemployment rate in the decoration, repair and maintenance for buildings sub-sector decreased from 18.7% to 7.9% during the same period.

/ADDITIONAL

ADDITIONAL FUNDING FOR THE OPERATION

14. As mentioned in FCR(2010-11)37 approved by the Finance Committee (FC) in July 2010, based on the progress of the Operation after completion of repair works for the target buildings in the first round, it was at that time estimated that for the second round of the Operation, with the estimated remaining funding of \$800 million available in the \$2.5 billion budget, we might be able to subsidise around 900 additional target buildings, comprising about 300 Category 1 and 600 Category 2 target buildings. Based on experience so far, the amounts of grants required for Category 1 target buildings and Category 2 target buildings with repair works carried out by owners voluntarily are greater than our original estimates, whereas the amounts of grants required for Category 2 target buildings with repair works carried out by BD are lower than our original estimates. The relevant details are at Enclosure 3.

Encl. 3

15. With the increase in building safety awareness amongst building owners after the collapse of a building at Ma Tau Wai Road, Kowloon in January 2010 and the Government's intensified building safety publicity efforts during the past years, more building owners have come forward to organise themselves to apply for joining the Operation to carry out repair works for their buildings³. Upon further processing of the second round Category 1 applications after the computer ballot conducted on 22 March 2011, HKHS and URA, as at 27 May 2011, preliminarily assessed that there were 486 eligible applications involving 722 buildings, which exceed our original estimate of 300 Category 1 buildings.

16. In addition, in the second round of the Operation, we have taken into account stakeholders' views and dispensed with the criterion of "no more than 400 residential units" so that all eligible buildings, irrespective of their numbers of residential units, may apply under the Operation. As expected, many of the applications received in the second round involve the carrying out of repair works for more than one building under one OC, and with more than 400 units in total. This has increased the commitment that may be required for one single application.

17. After the collapse of the building at Ma Tau Wai Road, BD launched a special territory-wide operation in February 2010 to inspect all private buildings aged 50 or above. Many of these buildings, together with other old and dilapidated buildings in the territory inspected by BD, have been found to exhibit different extents of disrepair and require statutory enforcement actions. Owners of many of

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³ So far, 169 target buildings under the Operation have speeded up their efforts and completed the formation of OCs purposefully for participation in the Operation.

these buildings lack proper organisation and management abilities, and are in need of technical and financial assistance for carrying out repair works to their buildings. On this front, BD at that time identified around 900 old and dilapidated buildings which are potential targets for inclusion as Category 2 buildings in the second round of the Operation. Again, the number is more than the original estimate of 600 Category 2 target buildings that can be catered for with our uncommitted funding within the \$2.5 billion budget.

18. In order to make available sufficient financial resources to assist the eligible target buildings in the second round of the Operation to carry out repair works, the Financial Secretary proposed in his 2011-12 Budget Speech to further allocate \$1 billion for the Operation. Whilst the total number of buildings to be assisted under the Operation will depend on the actual amount of grant required for each target building, and this is affected by a number of factors such as the condition of the building, the scope of the repair works to be undertaken, the cost of the repair works involved, as well as the numbers of units and elderly owner-occupiers (EOOs) in the building, based on the experience so far and with the proposed additional \$1 billion funding, we expect that financial assistance will be made available to all eligible applicants for Category 1 target buildings in the second round of the Operation received during October to December 2010. With the total budget of \$3.5 billion, we estimate that the Operation will eventually provide financial assistance for the repair and maintenance of over 3 000 buildings aged 30 years or above and create more than 60 000 employment opportunities related to the construction industry.

19. We uphold the principle that building maintenance is the responsibility of building owners. The Operation is a special one-off programme. We have no intention to extend the programme or inject further funds in future upon its satisfactory completion at a total commitment of \$3.5 billion. However, the Government will continue to promote building maintenance and repair through legislation, and various technical and financial assistance schemes to help those in need. For instance, we have commenced the minor works control system since 31 December 2010 to provide simple and effective statutory procedures for the carrying out of small-scale building works. We also introduced legislative proposals for the Mandatory Building Inspection Scheme (MBIS) and Mandatory Window Inspection Scheme (MWIS) into the LegCo in January 2010. The two schemes will require building owners to take up their responsibilities to regularly inspect and maintain their buildings to enhance public safety.

/FINANCIAL

FINANCIAL IMPLICATIONS

Non-recurrent Expenditure

20. We need funding approval to make the proposed additional injection now so as to provide an early commitment to the eligible OCs on the availability of funding. In line with the existing arrangements, we propose to provide the additional funding of \$1 billion to HKHS and URA, the administrators of the Operation, by installments starting from the second quarter of 2012. We will continue to spread out the implementation of the second round of repair works to match with the availability of resources in the market and to sustain the momentum in creation of job opportunities. With the additional funding, we propose that the overall duration of the Operation and disbursement of funding to HKHS and URA should be extended until 2015. HKHS and URA will respectively maintain separate bank accounts for keeping the funds and allocating grants to target buildings as per the existing arrangements. They will be responsible for the management of the funds and will be required to regularly submit progress reports and audit reports. The costs including the additional manpower required for implementing the Operation will be absorbed by HKHS and URA. Out-of-pocket expenses, including legal costs, auditor's fees and costs for publicity activities will continue to be charged towards the Operation fund. The detailed terms of cooperation among the Government, HKHS and URA will be stipulated in memoranda of understanding to be signed among the three parties. BD will require about 16 additional temporary contract staff to implement repair works for the additional Category 2 target buildings, and the one-off staff cost and associated expenses amounting \$12 million will be charged to the commitment.

Recurrent Expenditure

21. The Operation has no additional recurrent financial implications.

IMPLEMENTATION PLAN

22. HKHS and URA will continue to provide one-stop technical assistance to help owners carry out repair works under the Operation. The two organisations will assign staff to each participating building to provide technical advice and assistance on coordination of repair works. OCs will continue to be required to follow the guidelines promulgated by HKHS and URA in consultation with the Independent Commission Against Corruption as well as best practices in tendering and other building maintenance/repair works procedures. Regarding Category 2 buildings, for which the owners are unable to organise repair works by themselves, BD will continue to take complementary actions to mandate and carry out the works on behalf of the owners under the Buildings Ordinance (Cap. 123).

/HKHS

Encl. 4

HKHS, URA and BD, in collaboration with other government departments, e.g. the Labour Department and Environmental Protection Department, will continue to work closely with the building professionals and contractors in promoting work safety and other best practices in building repair works, and maximise their synergy for ensuring the smooth implementation of the Operation. We will also continue to adopt measures to prevent corruption and malpractices in implementation of the Operation. The relevant details are set out in Enclosure 4.

23. Same as for the first round of the Operation, once an application is approved or a building is selected for action, owners of the target buildings concerned (including residential and commercial units) can receive a grant amounting to 80% of the cost of repair in the common areas, subject to a ceiling of \$16,000 per unit. EOOs aged 60 or above can receive a grant to cover the full cost of repair of the common areas, subject to a ceiling of \$40,000.

24. Since the launch of the Operation, HKHS and URA have been closely monitoring the tender prices of repair works of target buildings, and have appointed independent professional consultants to assess the costs of repair works submitted by the applicants and provide estimated prices that are close to the market for different work items for owners' reference. Apart from providing sufficient time to the OCs/owners for preparation and assisting them to arrange repair works, HKHS and URA will continue to take into account the availability of building professionals and contractors in the market and suitably spread out the timing of implementation of building repair works so as to minimise the impact on project costs. As for Category 2 target buildings which require BD to arrange repair works, BD will continue to arrange commencement of repair works each month evenly so as to reduce the impact of repair works on material and labour costs, etc.

Refinement of the Scope of Works of Operation

25. We have received views from some stakeholders that the grants of the Operation should also cover improvement and maintenance works in respect of barrier-free access facilities for persons with disabilities and some communal building facilities (e.g. legally erected metal gates and close circuit televisions) at common areas of buildings. Such works can improve the functioning of buildings for the physically challenged and elderly and are conducive to proper building management. Whilst these facilities have so far been considered on a case-by-case basis, we propose that such works should be explicitly included in the scope of works for the Operation. The proposed refinement of the scope of works will have no impact on the maximum amount of grant to be provided to each target building as the grants for each unit and each EOO unit will continue to be capped at \$16,000 and \$40,000 respectively.

/Adjustment

Adjustment of disbursement of grants to EOOs

26. The Operation covers both residential buildings and residential/commercial composite buildings. Under the Operation, for the purpose of determining the use of a building or a unit in a building, reference will be made to the use specified in the occupation permit (OP) of the building. Regarding EOOs, under the current arrangement, the Operation provides full grants (i.e. full repair cost up to \$40,000 per unit) for those residing in units approved⁴ for domestic use under OPs. For EOOs who reside in units originally approved for commercial use and subsequently converted to domestic units without approval (converted units), they will only obtain a grant through the Operation up to 80% of the repair cost (capped at \$16,000 per unit), similar to other non-elderly owners of other units of the building.

27. We have received referral cases in which EOOs residing in converted units of the target buildings under the Operation have explained that they lack adequate financial resources to pay for the repair costs of the common areas of their buildings. Members of the Panel on Development also discussed this subject at the meeting held on 29 March 2011. The Administration has been requested to consider disbursing full EOO grants (i.e. full repair cost up to \$40,000 per unit) to such EOOs.

28. We have carefully reviewed the issue against the objective and modus operandi of the Operation, noting that grants provided to owners under the Operation are to cover the repair costs of the common areas of the target buildings but not the interior of individual units. The EOOs in question generally have been residing in their units over a very long period of time, notwithstanding that their units are specified for non-domestic purpose under the OPs. Denying them the full grant would not only cause hardship to these EOOs but might also hamper the OCs or other owners in the building in undertaking comprehensive repair works for the common areas as the EOOs residing in converted units have genuine difficulties in contributing their share of repair costs.

29. The Operation is a one-off special programme which provides financial and technical assistance to facilitate owners to carry out repair/maintenance works for the common areas of their buildings. Allowing EOOs residing in the converted units to receive EOO grants (maximum \$40,000 per unit) is consistent with the objective of the Operation. As such, on compassionate ground and in line with the Government's policy to care for the elderly, we propose

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⁴ In accordance with the Buildings Ordinance (Cap. 123), after the issuance of OP, owners who wish to change the use of a commercial unit to domestic use have to make an application to the Building Authority for approval. Otherwise, such change in use will be unauthorised.

Encl. 5

to lift the current criterion mentioned in paragraph 26 above such that EOO grants would be payable to EOOs residing in converted units notwithstanding that the units concerned are specified as non-domestic use in the OPs. As a result, all EOOs residing in the target buildings covered by the Operation (regardless of the type/use of their units in which they are residing) can receive full EOO grants. This special arrangement is applicable to both Category 1 and Category 2 target buildings, and will be governed by the detailed criteria and arrangement as set out in Enclosure 5.

30. Based on our operational experience and the statistics we have gathered so far, we are of the view that the financial implication should not be significant. A rough estimate is that the financial implication arising from the proposal that EOO grants are to be provided to EOOs residing in converted units is about \$14 million⁵. There should be adequate funds in the Operation to meet this extra requirement.

Facilitation of Future Building Safety Programmes

31. Albeit a one-off programme, the Operation has established a good foundation to facilitate the implementation of major building safety programmes in the future, including MBIS and MWIS, by clearing up many outstanding defaulted statutory orders and putting this difficult group of buildings in good repairs. The Operation has enabled many owners to acquire the necessary knowledge, skills and experience for future building maintenance. Through the implementation of the Operation, BD, HKHS and URA have also further consolidated their partnership in promoting building safety. With BD focusing on its statutory role on 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. In this connection, HKHS and URA are arranging to conduct a survey to collate feedback from stakeholders regarding the implementation of the Operation. Experience sharing sessions will also be held to let owners/OCs who have participated in the Operation share their experience and discuss how they tackled problems encountered in coordinating building maintenance projects. Through consolidating the experience in running the Operation, the Government and our partner organisations will continue to refine our roles, modus operandi and procedures in implementing the future building safety programmes.

/PUBLIC

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It is estimated that –

- (i) number of commercial units within the target buildings of the Operation: about 9 000;
- (ii) percentage of commercial units converted to domestic use: 30%;
- (iii) percentage of EOOs in a building: 30%;
- (iv) average amount of grant per non-EOO unit: \$16,000;
- (v) average amount of grant per EOO unit: \$33,000; and
- (vi) difference in amount of grant per EOO residing in a converted unit (i.e. difference between (iv) and (v) above): \$17,000.

Based on the above estimation, the additional funding requirement arising from the proposal is about \$13.77 million (i.e. \$17,000 x 9 000 commercial units x 30% x 30%), or about \$14 million.

PUBLIC CONSULTATION

32. We briefed the LegCo Panel on Development on 29 March 2011 regarding the progress of the Operation and the proposed injection of additional \$1 billion into the Operation. Members of the Panel were very supportive of the proposal to inject the additional funding and refine the scope of works for the Operation. Regarding the proposed adjustment of disbursement of grants to EOOs as discussed at the aforesaid meeting and mentioned in paragraphs 26 to 30 above, we issued an information paper to the Panel on Development to brief its Members on the Administration's proposal on 16 June 2011.

BACKGROUND

33. On 24 April 2009, FC approved, vide FCR(2009-10)3, a non-recurrent commitment of \$700 million as Government's contribution to the Operation with the remaining \$300 million to be contributed by HKHS and URA on an equal sharing basis (i.e. \$150 million each). On 3 July 2009, FC approved, vide FCR(2009-10)33, the injection of additional funding of \$1 billion into the Operation so as to assist more owners of old and dilapidated buildings to carry out repair and maintenance works and create more job opportunities, thus increasing the total Government funding for the Operation to \$1.7 billion. On 9 July 2010, FC approved, vide FCR(2010-11)37, the injection of a further \$500 million into the Operation for launching the second round Operation hence increasing the total Government funding for the Operation to \$2.2 billion. The Financial Secretary announced in his 2011-12 Budget Speech on 23 February 2011 a proposal to further allocate \$1 billion for the Operation so that financial assistance will be made available to all eligible applicants of the second round of the Operation. This proposal would mark a successful conclusion to this campaign.

Development Bureau
June 2011

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

Eligibility Criteria of Target Buildings

Target buildings of the Operation Building Bright (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 (this criterion has been dispensed with in processing the new applications under the second round of the Operation, as proposed in paragraph 12 of FCR(2010-11)37);
- (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 the 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;

/(d)

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 (*including installation and repair of metal gates*)²;
- (c) improvement of building services and facilities, e.g. repairing, maintaining and replacing lifts, electrical wiring, gas risers, *installation of closed circuit televisions*² and fresh water pipes;
- (d) maintenance or improvement works for slopes and retaining walls;
- (e) repair of water-proofing membranes at rooftops and flat roofs and works to alleviate water seepage problems; and
- (f) *maintenance or improvement works for barrier-free access and facilities*².

Maintenance works in association with the works in paragraph 3(a) to (f) 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.

² Proposed new items as mentioned in paragraph 25 of FCR(2011-12)33.

**Summary of Statistics of Operation Building Bright
(Up to 27 May 2011)**

	First Round	Second Round	Total
Category 1 Target Buildings			
Number of applications	1 128	550	1 678
Number of eligible applications	968	486	1 454
Number of eligible applications granted with approvals-in-principle (AIPs)	968	4	972
Number of buildings granted with AIPs, including -	1 133	4	1 137
(i) Number of buildings undertaking repair works	337	0	337
(ii) Number of buildings with repair works completed	130	0	130
(iii) Number of buildings with AIPs but repair works yet to be commenced	666	4	670
Number of buildings with AIPs yet to be granted	0	718	718

/Category

	First Round	Second Round	Total
Category 2 Target Buildings			
Number of target buildings selected	677	488	1 165
<i>Repair works conducted by the Buildings Department</i>			
Number of buildings undertaking repair works	224	20	244
Number of buildings with repair works completed	208	7	215
<i>Repair works conducted by owners</i>			
Number of buildings granted with AIPs, including –	116	0	116
(i) Number of buildings undertaking repair works	32	0	32
(ii) Number of buildings with repair works completed	36	0	36
(iii) Number of buildings with AIPs but repair works yet to be commenced	48	0	48
Number of buildings with the possibility of organising repair works by the owners themselves	129	461	590

Summary	
Total number of Category 1 and Category 2 target buildings	3 020
Total number of Category 1 and Category 2 target buildings with repair works completed	381
Total number of Category 1 and Category 2 target buildings undertaking repair works	613
Total number of Category 1 and Category 2 target buildings granted with AIPs but repair works yet to be commenced	718
Total number of Category 1 buildings with AIPs yet to be granted	718
Number of Category 2 buildings with the possibility of organising repair works by the owners themselves	590
Total number of job opportunities created	Around 20 300

Operation Building Bright
Preliminary estimated amounts of grants for each building/case
(as at May 2011)

Target buildings	Highest (approx.) (\$ '000)	Lowest (approx.) (\$ '000)	Average (approx.) (\$ '000)	(Percentage difference from the average amount estimated by sampling in mid-2010)
Category 1	8,900	110	1,600	(+14%)
Category 2 (owners/owners' corporations are willing to organise repair works by themselves)	4,100	100	610	(+22%)
Category 2 (owners are unable to carry out repair works by themselves and need the Buildings Department to arrange repair works for them)	1,200	10	190	(-16%)

**Operation Building Bright
Measures to Prevent Corruption and Malpractices**

Since the launch of the Operation Building Bright (the Operation) in May 2009, the Hong Kong Housing Society (HKHS), Urban Renewal Authority (URA) and Buildings Department have been working closely with the Independent Commission Against Corruption (ICAC) in formulating the application procedures and modus operandi to ensure that proper procedures and safeguards are adopted to prevent corruption and other malpractices in implementation of the Operation.

2. HKHS and URA have, in consultation with ICAC, formulated and issued the “Operation Building Bright Maintenance Guidelines” to owners’ corporations (OCs), consultants and contractors, stipulating, among other things, the requirements and procedures for selection and management of consultants and contractors, anti-bribery and anti-collusion practices. Consultants and contractors participating in tendering are required to sign undertakings to follow fair and impartial practices in tendering and provision of professional services for the OCs.

3. To uphold the principle of fair tendering, OCs joining the Operation are required to appoint consultants and contractors by way of open tenders. Besides, after invitation of tenderers is advertised in the newspapers, OCs are required to select by random computer ballot at the HKHS’ Property Management Advisory Centre a certain number of authorised persons (APs) and registered general building contractors (RGBCs) from the list of APs and RGBCs who have expressed interest in carrying out building repair works and invite them in writing to participate in tendering, so as to enhance fairness and competitiveness of the tendering exercise.

4. To further assist OCs to establish the criteria for selection of consultant companies, the “Operation Building Bright Maintenance Guidelines” have been refined to require that consultant companies submitting a tender should provide adequate information to the OCs, including the number of repair projects being undertaken by the consultant, the resources to be allocated to the OC’s works contract by the consultant, as well as the particulars of different ranks of personnel who will participate in the works at different stages and the costs involved, so that the OC can consider in a more comprehensive manner whether the overall tender submitted by the consultant is reasonable.

5. HKHS and URA have also appointed independent professional consultants to carry out the relevant monitoring work, including inspecting the progress of repair works for target buildings and scrutinising the documents and progress reports submitted by consultants and contractors, with a view to ensuring their compliance with the requirements of the Operation before releasing the grants. Both organisations will arrange staff to attend OCs' meetings with a view to providing advice on selection and appointment of consultants and contractors, and coordination of repair works.

6. If irregularities involving misconduct or malpractice of the consultants or contractors are noticed, HKHS and URA will advise the OCs to follow up the matters in accordance with their agreed service contracts. As at 27 May 2011, HKHS and URA issued warning letters or reminders to a total of 58 cases of suspected non-compliance with the requirements of the Operation, requesting the persons concerned to rectify the irregularities. The irregularities included cases suspected of failing to comply with the requirements set out in the "Operation Building Bright Maintenance Guidelines" or breaching the conditions of relevant professional services, cases suspected of contravening the Building Management Ordinance (Cap. 344) or the requirements set out in the code for procurement of supplies, goods and services, as well as cases suspected of unreasonable estimation of the costs of works and tender prices. Twenty-five cases with suspected abnormalities were referred to the ICAC for information or follow-up action. In addition, 44 OCs decided to terminate their contracts with the consultants which have committed irregularities or performed unsatisfactorily and re-appoint new ones to proceed with their repair works. HKHS and URA will continue their follow-up actions on the cases.

7. To promote anti-corruption practices in carrying out maintenance works under the Operation, ICAC has also assisted HKHS and URA in conducting anti-corruption seminars for the OCs, consultants and contractors. To further deter corruption and malpractices in the use of grants under the Operation, HKHS and URA, in consultation with ICAC, have also formulated procedures to step up site visits to the target buildings with ICAC's representatives participating as observers during the visits.

**Operation Building Bright
Detailed Criteria and Arrangement for
Disbursement of Grants to Elderly Owner-occupiers**

The special arrangement of providing higher grants (i.e. repair cost capped at \$40,000 per unit) for elderly owner-occupiers (EOOs) residing in units converted from commercial units will only be applicable to those commercial units that are wholly converted into domestic units (converted units), as they are for pure domestic purpose instead of profit making commercial purpose. This arrangement is consistent with the objective and purpose of EOO grants for EOOs under the Operation Building Bright (the Operation). Those units that are partly used for commercial purpose (e.g. with shops in front and domestic area at the rear) will not be covered by the special arrangement. Regarding the cut-off date, only those commercial units that were wholly converted to domestic use before the Government's announcement of the initiative of the Operation on 25 February 2009 will be eligible for the special arrangement. Those subsequently converted on or after the date of announcement of the Operation will not be considered. EOOs will be required to declare the use and conversion time of their units. The Hong Kong Housing Society (HKHS)/Urban Renewal Authority (URA)/Buildings Department (BD) will conduct audit checks, and will demand the EOOs to return the grants together with interest should false declarations be detected.

2. For cases where EOO grants were not provided before^{Note}, HKHS/URA will make arrangements to inform the owners' corporations/individual EOOs and retrospectively provide the grants to the eligible EOOs. There may be also some EOOs who are residing in converted units but have not submitted applications for EOO grants due to the fact that their units were specified for commercial use in the OPs. HKHS/URA will inform the concerned owners of all the target buildings covered by the Operation accordingly. For cases where works are in progress or have yet to be commenced, grants will be provided to EOOs residing in commercial units wholly converted to domestic use.

3. For the avoidance of doubt, we have to make it clear that all owners, elderly or otherwise, residing in building structures constructed without authorisation (such as unauthorised rooftop structures or unauthorised structures on podiums, yards and lanes of a building) will not be eligible for any grants under the

/Operation

^{Note} Up to mid-April 2011, HKHS and URA have altogether rejected 25 applications for elderly grant since the units involved are non-domestic units as specified in the relevant occupation permits (OPs). However, the applicants could still obtain a grant up to 80% of the repair cost (capped at \$16,000).

Operation. The provision of elderly grants for EOOs of converted units also does not in any way imply that the Government accepts their unauthorised change of use and BD will continue to take enforcement actions in accordance with the prevailing enforcement policies if necessary. In addition, the special arrangement is only applicable to the one-off Operation but not other schemes, including the Building Maintenance Grant Scheme for Elderly Owners and the Integrated Building Maintenance Assistance Scheme of HKHS/URA.
