

**For discussion
on 11 May 2011**

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT**

SUBCOMMITTEE ON BUILDING SAFETY AND RELATED ISSUES

**Consolidation of Financial Assistance Schemes
for Building Maintenance and Repair**

PURPOSE

This paper informs Members of the latest development of the proposal to consolidate the various financial assistance schemes for building maintenance and repair administered by the Hong Kong Housing Society (HKHS), Urban Renewal Authority (URA) and Buildings Department (BD).

BACKGROUND

2. Following the completion of a comprehensive review of the building safety policy and measures by the Government, the Chief Executive announced in his 2010-11 Policy Address that we would adopt a new multi-pronged approach, covering legislation, enforcement, support and assistance to owners as well as publicity and public education, to enhance building safety in Hong Kong. Full details of the package of new measures are set out in a separate paper entitled “Measures to Enhance Building Safety in Hong Kong” submitted to this Subcommittee for discussion on 13 January 2011 (paper no. CB(1)681/10-11(01)).

Previous Financial Assistance Schemes

3. Although we maintain that the responsibility for proper building maintenance and repair lies with the owners, we acknowledge that in reality, many owners, especially those in old and dilapidated buildings, do need help in discharging their responsibility. Therefore, enhancing support to building owners (both technical and financial) is a main component in our multi-pronged approach to improve building safety in Hong Kong. The BD, HKHS and URA have been operating various financial assistance schemes, in the form of grants and loans, to

help building owners in need to maintain and repair their buildings. These schemes have evolved and are fine-tuned from time to time in the light of operational experience and feedback from building owners. By way of background, in 1998, the Government launched the Building Safety Improvement Loan Scheme and the Fire Safety Improvement Loan Scheme to respectively provide financial assistance in the form of loans to building owners for building safety and fire safety improvement works. These schemes were pioneers in providing economic incentives for building owners to maintain and repair their buildings. With three years of operational experience accumulated, the above schemes were consolidated, with an expanded scope of works covered, into the current Comprehensive Building Safety Improvement Loan Scheme (CBSILS) in 2001. In the same year, the URA was established to undertake urban renewal work through redevelopment, rehabilitation, revitalization and preservation. The URA soon launched a pilot rehabilitation scheme in 2003, providing additional incentive to building owners in the form of cash and material subsidies. The pilot scheme was subsequently extended and became two schemes, namely the Building Rehabilitation Materials Incentive Scheme and Building Rehabilitation Loan Scheme. In 2005, under the auspices of a memorandum of understanding with the Government to embark on a ten-year building management and maintenance programme to complement Government's efforts, the HKHS also launched the Building Management and Maintenance Scheme. Under this scheme, there were three different sub-schemes to provide assistance for owners to form owners' corporations (OCs) and carry out works in common area as well as individual units. The HKHS also set up ten Property Management Advisory Centres over the territory to provide technical assistance to building owners.

4. In this term of the Special Administrative Region Government, we have been devoting further efforts to strengthen support and assistance to building owners to promote building safety and maintenance. In 2008, the Development Bureau (DEVB) launched the \$1-billion Building Maintenance Grant Scheme for Elderly Owners (BMGSEO), tailor-made to assist elderly owner-occupiers in need. Funded by the Government, the Scheme is administered by the HKHS and covers all buildings in Hong Kong. In 2009, with the dual objective of enhancing building safety and creating jobs, a one-off Operation Building Bright (OBB) was launched to provide assistance for the maintenance and repair of dilapidated buildings aged 30 years or above.

5. In summary, apart from the one-off OBB, there were seven ongoing financial assistance schemes, with subsidies in the form of loans, grants and building materials open for applications by owners. Among the seven schemes, five are funded by the HKHS and URA¹, while two are funded by the Government².

¹ The HKHS operated three of the schemes, namely the Building Maintenance Incentive Scheme, the Building

Details of these schemes are at **Annex A**.

6. While the five schemes shared a common objective to promote proper maintenance and repair of old buildings, there existed differences in eligibility criteria and forms of subsidy provided. In other words, buildings located in areas served by the URA would obtain slightly different forms of assistance from those in areas served by the HKHS. Also, if an owner applied for schemes administered by the HKHS, URA and BD at the same time, the owner would have to fill in several sets of application forms and submit the same to three different organisations. As a core component of the Government's new package of measures to enhance building safety in Hong Kong, the DEVB and the BD, in collaboration with our partner organisations, namely the HKHS and URA, have conducted a review of the schemes with a view to streamlining and consolidating the arrangements and at the same time exploring room for enhancing the terms and conditions of the various schemes for the benefit and convenience of building owners.

LATEST PROGRESS AND UPDATE

Integrated Building Maintenance Assistance Scheme

7. As a result of the review, the HKHS and URA decided to adjust the terms and conditions of and consolidate the five schemes they administered into one single scheme for all buildings in Hong Kong. On 1 April 2011, the five schemes were amalgamated into the "Integrated Building Maintenance Assistance Scheme" (IBMAS). The IBMAS has a set of unified application criteria, and terms and conditions for all buildings in Hong Kong, and is co-managed by the HKHS and URA. The scheme administration is divided between the two organisations according to geographical areas. To apply for the IBMAS, a building owner would only need to contact either HKHS or URA, depending on which organisation is serving the area in which the concerned building is located³, to obtain a full range of assistance. In line with the spirit of provision of "one-stop service", the HKHS and URA will also accept applications for the two Government-funded schemes. Through completing only one set of application forms (instead of contacting a number of bodies and sending in different forms to different organisations under the current setup), building owners may obtain the following

Management Incentive Scheme and the Home Renovation Loan Scheme. The two schemes operated by the URA are the Building Rehabilitation Materials Incentive Scheme and the Building Rehabilitation Loan Scheme.

² The two schemes are the CBSILS administered by the BD and the BMGSEO funded by the Government and administered by the HKHS.

³ The current building rehabilitation scheme areas of the URA include Yau Ma Tei/Mongkok, Tai Kok Tsui, Ma Tau Kok, Shum Shui Po, Tsuen Wan, Kwun Tong, Wanchai and Central & Western District. A detailed map delineating the rehabilitation scheme area boundaries of the URA is available at <http://www.ura.org.hk/usrAtt/500000/Picture2.jpg>. All other areas in Hong Kong are currently served by the HKHS.

range of assistance through a single interface –

- (a) subsidy for formation of OCs;
- (b) grants/loans for works in common areas;
- (c) grants/loans for works in individual units; and
- (d) special assistance for individuals in need (e.g. elderly owner-occupiers)

8. A table summarising the features of the IBMAS is at **Annex B**.

Advantages of Consolidation

9. The consolidation of the various schemes have the following advantages –

- (a) *Clear delineation of areas of assistance*
Under the new IBMAS, different types of subsidies are grouped into the four categories set out in paragraph 7 above. This delineation of application criteria will facilitate the understanding and application of building owners. Instead of checking whether one is eligible for each of the previous schemes, a building owner would only need to identify his needs according to the four categories. He can then choose the types of subsidies available for the categories that match his needs. The arrangements, together with the simplified set of application forms, would enable an applicant to select the most suitable assistance with ease.
- (b) *Identical assistance to buildings in different areas over Hong Kong*
Schemes previously provided by the URA were only open to application by owners whose buildings are in URA's buildings rehabilitation areas, while those provided by the HKHS were open to application by eligible buildings over the territory⁴. This criterion on the geographical location of a building has been dispensed with in the consolidation exercise. Eligible buildings over the territory will now be able to receive the same set of assistance from the two organisations as well as the schemes funded by the Government.
- (c) *Alignment and relaxation of other eligibility criteria*
Taking into account past experience and the actual needs of building owners, the eligibility criteria of some schemes have been relaxed and the scope of works eligible for assistance extended. For instance, some of the schemes were open to applications by buildings with OCs

⁴ With the exception of the Building Maintenance Incentive Scheme administered by the HKHS, which only accepts applications from buildings outside the URA rehabilitation areas.

only. Under the IBMAS, the HKHS and URA will consider applications from buildings without OCs as well. In addition, the previous restriction on the number of units of a building (not more than 400 units) in the HKHS's and the URA's schemes, similar to the latest round of OBB, has also been lifted. The IBMAS has also explicitly stated in its scope the inclusion of works related to the installation and repair of barrier free access facilities.

(d) Enhanced subsidies to owners

Apart from relaxation in eligibility criteria, there is also enhancement in the benefits and terms under certain areas of assistance. Before the consolidation, for interest-free loans for works in individual units, the organisations would only offer with a repayment period of three years as well as a special subsidy at 50% of the cost of works up to \$10,000. Under the IBMAS, the repayment period has been extended to five years and eligible applicants will receive a subsidy of the full cost of works up to \$10,000.

10. The HKHS and URA conducted a joint press briefing on 31 March to introduce the IBMAS. Publicity and promotion efforts will be continued and sustained. Enquires concerning the IBMAS as well as general issues concerning building maintenance and repair financial assistance can be directed to the hotline (3188 1188) jointly operated by the two organisations. Staff of the HKHS and URA would help explain to potential applicants the details of the new consolidated scheme, and provide necessary assistance to owners for the completion of the application forms. A publicity pamphlet, which is widely distributed to owners and OCs, is at [Annex C](#).

Enhanced Technical Support and Information Services from URA

11. To complement the Government's package of measures to enhance building safety in Hong Kong, the URA has further stepped up its efforts in the area of rehabilitation. In February 2011, a new Urban Renewal Strategy was promulgated, under which the URA will continue to contribute to building safety in Hong Kong by increasing its focus on "Rehabilitation", which is now designated as one of the URA's two core businesses. At present, building rehabilitation advisory service provided by the URA is, in addition to on-site briefings on such services, mainly rendered through its headquarters at Central, its Kwun Tong Office and also through referral from its four neighbourhood centres. The URA also plans to expand its role in rehabilitation through active driving, promotion and education of its building rehabilitation work by setting up of Urban Renewal Resources Centres (URRCs) in urban areas. The first URRC, located at Tai Kok Tsui, is scheduled for opening by end 2011. The URRC will be a resource centre for both urban

redevelopment and building rehabilitation.

12. According to the plan, the URRC will showcase URA's rehabilitation services and urban renewal initiatives with models. An enquiry counter will be provided to provide one-stop service, including consultation (by appointment) on building rehabilitation, information and library resources relating to building rehabilitation, conference and training facilities where regular building safety and rehabilitation seminars, etc. can be held, and meeting rooms available for booking and use by owners/OCs, etc. The URA also plans to provide an e-info kiosk linking to the BD to facilitate checking by users of the general building plans. The enquiry counter will also provide enquiry service for redevelopment initiatives of the URA. This will include enquiry service on all current URA redevelopment projects, information on the facilitator role service of the URA and, in due course, information on the demand led redevelopment arrangement.

13. To complement the Government's Pilot Mediation Scheme related to compulsory sale under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), the URA will also provide meeting rooms at the URRC for the conduct of mediation sessions. Through the URRC, not only will the building owners be able to apply for the IBMAS, they will also be able to receive technical support on all building rehabilitation and urban redevelopment matters.

WAY FORWARD

Further Consolidation

14. The HKHS and URA will continue to enhance the modus operandi of the IBMAS based on feedback from building owners and experience of operation, with a view to making the application process simpler and easier for potential applicants. Regarding the two schemes currently funded by the Government, namely the CBSLIS and BMGSEO, we are exploring with HKHS/URA/BD the feasibility for further amalgamation with the IBMAS in terms of administration as well as the terms and conditions. Our current aim is to transfer the administration of the schemes to the URA in future if found feasible, so that the BD could focus on its statutory role to take enforcement actions, and HKHS and URA on the provision of practical advice and technical support to building owners in need. In this way, the three organisations will continue their partnership in taking forward their shared goal of improving building safety in Hong Kong. We are examining the legal and financial implications of the further consolidation proposal, and will report to Members in due course our recommendations.

ADVICE SOUGHT

15. Members are invited to note the latest progress of the consolidation as well as our provision of technical and financial assistance to building owners for building repair and maintenance.

**Development Bureau
May 2011**

Key Features of Financial Assistance Schemes before Consolidation

Comprehensive Building Safety Improvement Loan Scheme (Buildings Department (BD))

The Comprehensive Building Safety Improvement Loan Scheme is administered by the BD. With a rolling fund of \$700 million, this Loan Scheme provides loans to individual owners of private buildings for carrying out works related to the improvement of building safety or hygiene voluntarily, or in compliance with statutory orders.

Any building owner of any type of private building may apply for an interest-bearing loan of up to \$1,000,000 without any means test. Recipients of the Comprehensive Social Security Assistance (CSSA) or Normal Old Age Allowance (NOAA) or building owners passing the prescribed means test may apply for interest-free loans. Repayment period is normally up to 36 months. If the borrower is elderly (i.e. aged 60 or above) or disabled or eligible for interest-free loan, the repayment period may be extended to 72 months or a period until the transfer of title of the property or death of the borrower, whichever is the earlier.

Building Maintenance Grant Scheme for Elderly Owners (funded by Government, administered by the Hong Kong Housing Society (HKHS))

The Building Maintenance Grant Scheme for Elderly Owners, administered by the HKHS, was launched in May 2008 to provide financial assistance to elderly owner-occupiers for repairing and maintaining their buildings, and improving building safety.

Owner-occupiers aged 60 or above receiving CSSA or NOAA or passing means test¹ could apply for a grant of up to \$40,000 within a period of five years for carrying out building safety related maintenance works in his self-occupied residential flat and/or in common areas of the building or for paying outstanding loans with the BD, HKHS or Urban Renewal Authority (URA) in relation to building maintenance. The scope of works covered by this Scheme is the same as that covered by the Comprehensive Building Safety Improvement Loan Scheme.

¹ According to the current income and asset limits which take effect from February 2011, the monthly income limits for applications by singletons and couples are \$6,450 and \$10,110 respectively, while the asset limits (excluding the property in which the applicant resides and to which the grant relates) for the two types of applications are \$354,000 and \$534,000 respectively.

Building Maintenance Incentive Scheme (HKHS)

The Building Maintenance Incentive Scheme was one of the three financial assistance schemes under the Building Management and Maintenance Scheme (BMMS) of the HKHS. This Scheme provided cash subsidy to encourage owners' corporations (OCs) to carry out repair and maintenance works related to safety, hygiene and environmental protection in common areas of the buildings.

Eligibility criteria included (i) private residential or composite buildings; (ii) buildings aged 20 years or above; (iii) average rateable value of residential units not exceeding \$100,000 per annum for a building in urban areas (including Hong Kong Island, Kowloon, Shatin, Kwai Tsing and Tsuen Wan) or \$76,000 per annum for a building in other areas; (iv) estate/building comprising no more than 400 residential units; (v) outside URA's scheme areas; and (vi) buildings with OCs. Eligible OCs could receive maintenance incentive for works in the common areas of the building. For buildings with 20 residential units or below, the incentive amount was 30% of the total repair cost up to \$150,000 per building; for buildings with 21 to 49 residential units, the incentive amount was 20% of the total repair cost up to \$150,000 per building; for buildings with 50 to 400 residential units, the incentive amount was 20% of the total repair cost up to \$3,000 per residential unit. Eligible OCs could also receive subsidy amounting to 50% of the authorized person or professional consultant fee for the repairs and maintenance works. Upon completion of the works, a subsidy of 50% of the insurance premium for third party risks insurance for common areas of the building would be granted, subject to a ceiling of \$6,000 per annum for not more than three years. For elderly aged 60 or above who was a recipient of CSSA and owned only a single property in Hong Kong might receive a subsidy of 50% of his share of the repair cost up to \$10,000.

Building Management Incentive Scheme (HKHS)

The Building Management Incentive Scheme was another scheme under the BMMS to encourage owners of private buildings to participate in building management and procure third party risks insurance in relation to the common parts of the building.

All private residential and composite buildings without OCs could apply for subsidy under this Incentive Scheme. Each OC successfully formed under this Incentive Scheme in compliance with the Building Management Ordinance (Cap. 344) would be granted \$3,000 as well as a subsidy of 50% of the insurance premium for third party risks insurance for common areas of the building subject to a ceiling of \$6,000 per annum for not more than three consecutive years. The maximum amount of subsidy an OC could receive from this Incentive Scheme over three years was \$21,000.

Home Renovation Loan Scheme (HKHS)

The Home Renovation Loan Scheme established under the BMMS provided loans to help flat owners carry out flat interior repairs and maintenance works related to safety and hygiene of the premises.

A registered building owner with a single private residential property aged 20 years or above and with a rateable value not exceeding \$100,000 per annum for urban area buildings (including Hong Kong Island, Kowloon, Shatin, Kwai Tsing and Tsuen Wan) or \$76,000 per annum for other buildings could apply for an interest-free loan under this Loan Scheme up to \$50,000. For elderly aged 60 or above who was a recipient of CSSA or passed a means test could receive a subsidy of 50% of the loan amount up to \$10,000. The repayment period for the loan was 36 months.

Building Rehabilitation Materials Incentive Scheme (URA)

The Building Rehabilitation Materials Incentive Scheme operated by the URA provided free incentive materials (e.g. paint, water-proofing materials, fire protection materials and environmental friendly materials) cash subsidies for rehabilitation works to the common areas of the buildings.

Eligibility criteria included (i) private residential or composite buildings within the URA's Scheme Areas; (ii) buildings aged 20 years or above; (iii) buildings subject to statutory actions by the BD; and (iv) buildings with OCs. The ceiling of costs of incentive materials was 30% of the total contract sum up to \$150,000 per building for buildings with five to 20 residential units; 20% of the total contract sum up to \$150,000 per building for buildings with 21 to 49 residential units; and 20% of the total contract sum up to \$3,000 per residential unit for buildings with 50 or more residential units. After deducting actual incentive materials costs, the remaining balance of the ceiling would be released to the OCs as cash subsidy for the rehabilitation works. Recipients of CSSA, or elderly or disabled owners passing means test could receive additional grants up to \$10,000. Upon completion of the works, a subsidy of 50% of the insurance premium for third party risks insurance for common areas of the building would be granted, subject to a ceiling of \$6,000 per annum for not more than three consecutive years.

Building Rehabilitation Loan Scheme (URA)

The URA's Building Rehabilitation Loan Scheme provided loans to building owners for carrying out rehabilitation works to the common areas of the buildings and works to the interior of the properties in association with the works to the

common area of the whole buildings.

Eligibility criteria included (i) private residential or composite buildings within the URA's Scheme Areas; (ii) buildings aged 20 years or above; (iii) buildings without statutory order or advisory letter from Government departments; and (iv) buildings with OCs. Owners of eligible buildings could apply for an interest-free loan of up to \$100,000 without any means test. Repayment period was up to 60 months. Recipients of CSSA, or elderly or disabled owners passing means test, could receive grants up to \$10,000. Upon completion of the works, a subsidy of 50% of the insurance premium for third party risks insurance for common areas of the building would be granted, subject to a ceiling of \$6,000 per annum for not more than three consecutive years.

Key Features of Integrated Building Maintenance Assistance Scheme

	Subsidy for Formation of Owners' Corporations (OCs)	Grants for Works in Common Area	Loans for Individual Owners		Comprehensive Building Safety Improvement Loan Scheme	Building Maintenance Grant Scheme for Elderly Owners
			Interest-free Loan for Works in Common Areas	Interest-free Loan for Works in Individual Units		
Eligibility Criteria for Buildings	<ul style="list-style-type: none"> Private residential or composite buildings 	<ul style="list-style-type: none"> Private residential or composite buildings 20 years old or above With OCs (those without OCs will be considered on a case-by-case basis) With rateable value (\$100,000 p.a./unit for urban areas; \$76,000 p.a./unit for the New Territories) 			<ul style="list-style-type: none"> Private buildings including domestic, composite, commercial or industrial buildings 	<ul style="list-style-type: none"> Domestic or composite buildings
Eligibility Criteria for Individual Owners		<ul style="list-style-type: none"> The building has not applied for the Interest-free Loan for Works in Common Areas 	<ul style="list-style-type: none"> The building has not applied for the Grants for Works in Common Area 	<ul style="list-style-type: none"> Not owning other properties in Hong Kong 		<ul style="list-style-type: none"> Owner-occupiers aged 60 or above Meeting income and asset limits¹ or receiving CSSA/NOAA²
Amount of Grant/ Loan	<ul style="list-style-type: none"> \$3,000 for each OC formed under the scheme 	Amount of Grant (Including free incentive materials and cash subsidies): <ul style="list-style-type: none"> <u>20 units or fewer</u>: 30% of cost up to \$150,000 <u>21 to 49 units</u>: 20% of cost up to \$150,000 <u>50 units or more</u>: 20% of cost up to \$1.2 million/OC or \$3,000 per flat 	Amount of Loan: <ul style="list-style-type: none"> Interest free loan up to \$100,000/unit Repayment term: up to 60 months 	Amount of Loan: <ul style="list-style-type: none"> Interest free loan up to \$50,000/unit Repayment terms: up to 60 months 	Amount of Loan: <ul style="list-style-type: none"> Low interest loan up to \$1 million/unit Repayment terms: up to 36 months 	Amount of Grant: <ul style="list-style-type: none"> \$40,000 per owner per unit (per 5 years)
		Further Subsidies for OCs: <ul style="list-style-type: none"> Subsidies for fees in hiring Authorised Persons: 50% of cost up to \$20,000 Third party risks insurance subsidies: 50% of cost up to \$6,000 p.a. (for 3 years) 				
Special Grants and Reliefs		<ul style="list-style-type: none"> Owners 60 or above meeting income & asset limits or those receiving disability allowance/CSSA/NOAA/medical fee waiver: <ul style="list-style-type: none"> - hardship grant of 100% cost up to \$10,000/unit 			<ul style="list-style-type: none"> CSSA/NOAA recipients or owners meeting income & asset limits: <ul style="list-style-type: none"> -interest-free loan and extended repayment period of up to 72 months 	

¹ According to the current income and asset limits which take effect from February 2011, the monthly income limits for applications by singletons and couples are \$6,450 and \$10,110 respectively, while the asset limits (excluding the property in which the applicant resides and to which the grant relates) for the two types of applications are \$354,000 and \$534,000 respectively.

² CSAA and NOAA refer to Comprehensive Social Security Assistance and Normal Old Age Allowance respectively. Both schemes are provided by the Social Welfare Department.