

**For information**

**LEGISLATIVE COUNCIL  
PANEL ON DEVELOPMENT**

**"Operation Building Bright" –  
Proposed Adjustment of  
Disbursement of Grants to Elderly Owner-occupiers**

**PURPOSE**

This paper informs Members of our plan to align the level of grants to elderly owner-occupiers (EOOs) residing in units within target composite buildings under the "Operation Building Bright" (OBB).

**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 Urban Renewal Authority (URA), has launched the \$2.5 billion OBB to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. OBB aims to achieve the dual objective of creating more job opportunities for the construction sector as well as improving building safety. The Finance Committee (FC) of the Legislative Council (LegCo) has approved a total funding allocation of \$2.2 billion<sup>1</sup> for the Government’s contribution to OBB, while the remaining \$300 million is contributed by HKHS and URA on an equal sharing basis.

3. OBB covers two categories of buildings, which are subject to the eligibility criteria at **Annex** -

Category 1 target buildings cover buildings with owners’ corporations (OCs) established. OCs of eligible buildings may apply for joining OBB to carry out repair works on a voluntary basis. Priority for processing the applications of eligible

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<sup>1</sup> The Government’s contribution to OBB as approved by FC on 24 April 2009 was \$0.7 billion. FC approved on 3 July 2009 an additional funding of \$1 billion to expand OBB, increasing the Government funding for OBB to \$1.7 billion. FC further approved an additional funding of \$500 million for OBB on 9 July 2010, making the total contribution of the Government for OBB to \$2.2 billion.

buildings is determined by computer ballot; and

Category 2 target buildings are buildings having difficulties in co-ordinating repair works, such as buildings without OCs. The Buildings Department (BD) may issue statutory repair orders to such 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, BD will arrange consultants and contractors to carry out the works on behalf of the owners. After deducting the amount of subsidies available under OBB, BD will recover the remaining repair costs (including supervision charges) from the owners. However, if the owners or OCs of the buildings are willing to organise repair works voluntarily by themselves, they can follow the approach for Category 1 target buildings to carry out repair works.

4. OBB covers both residential buildings and residential/commercial composite buildings. It is a "building-based" scheme with no requirement for asset or income means tests. Once an application for becoming a Category 1 target building is approved or a building is selected as a Category 2 target building, owners of the target buildings concerned (including residential and commercial units) can receive a grant amounting to 80% of the cost of repair in respect of the common areas of the building, subject to a ceiling of \$16,000 per unit. An EOO aged 60 or above and satisfying other current requirements of OBB can, without means test, receive a grant to cover the full cost of repair of the common areas if he/she solely owns the unit (subject to a ceiling of \$40,000). Otherwise, the maximum amount of grant receivable by the EOO would depend on his/her ownership share of the unit.

5. We reported the latest progress of OBB to and updated the LegCo Panel on Development on it at its meeting on 29 March 2011 (paper no. CB(1)1668/10-11(07)). We also consulted the Panel at the same meeting on the Government's proposal to further inject an additional funding of \$1 billion into OBB so that we may cover all eligible OCs that have submitted applications in the second round of OBB. Members were very supportive of the proposal.

## **GRANTS FOR ELDERLY OWNERS**

6. Under OBB, 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, OBB provides full grants (i.e. full repair cost up to \$40,000) for those residing in units approved<sup>2</sup> 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 can only obtain a grant through OBB up to 80% of the repair cost (capped at \$16,000 for each unit), similar to other non-elderly owners of other units of the building.

7. We have received referral cases in which EOOs residing in converted units of OBB target buildings have explained about their lack of adequate financial resources to pay for the repair costs of the common areas of their buildings. Some Members also raised this subject at the Panel 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) to such EOOs.

8. We have carefully reviewed the issue against the objective and modus operandi of OBB. Grants provided to owners under OBB are to be used to cover the repair costs of the common areas of the target buildings (for necessary repair works) but not the interior of individual units (converted from commercial use to domestic use without approval). The EOOs in question generally have been residing in their units over a very long period of time, and in many cases shortly after the issue of OPs of the buildings, notwithstanding that their units are specified for non-domestic purpose under the OPs. We have been informed that in some cases, with the benefit of OBB, the OCs of the target buildings are willing to conduct comprehensive repair works for the common areas but the EOOs residing in converted units have genuine difficulties in contributing their share of repair costs because full EOO grants cannot be provided to them. As a consequence, the owners of the target buildings concerned might face additional difficulties in carrying out repair works under OBB, which is against the objectives of OBB especially the one to improve building safety of target buildings.

9. OBB is a one-off special programme dedicated to provide financial and technical assistance to facilitate the carrying out of repair/maintenance works by owners for the common areas of their buildings. Allowing EOOs residing in the converted units to receive EOO grants (maximum \$40,000) is consistent with the objective of OBB.

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<sup>2</sup> In accordance with the Buildings Ordinance (Cap. 123), after the issuance of the occupation permit, 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.

As such, on compassionate ground and in line with the Government's policy to care for the elderly, we propose to lift the current criterion mentioned in paragraph 6 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 OBB (regardless of the type/use of their units in which they are residing) will receive full EOO grants. This special arrangement will be applicable to both Category 1 and Category 2 target buildings.

## **DETAILED CRITERIA AND ARRANGEMENT**

10. Only those commercial units that are wholly converted into domestic units will be covered by the proposed special arrangement, 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 OBB. Those units that are partly used for commercial purpose (e.g. with shops in front and domestic area at the rear (前舖後居)) will not be covered by the special arrangement. Regarding the cut-off date, only those commercial units that had been wholly converted to domestic use before the Government's announcement of the OBB initiative on 25 February 2009 will be eligible for the special arrangement. Those subsequently converted on or after the date of announcement of OBB will not be considered. EOOs will be required to declare the use and conversion time of their units. HKHS/URA/BD will conduct audit checks, and will demand the EOOs to return the grants together with interest should false declarations be detected.

11. For cases where EOO grants were not provided before<sup>3</sup>, HKHS/URA will make arrangements to inform the OCs/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 OBB target buildings of the special arrangement accordingly. For cases where works are in progress or have yet to commence, grants will be provided to EOOs residing in commercial units wholly converted to domestic use.

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<sup>3</sup> Up to mid-April 2011, HKHS and URA had altogether rejected 25 applications for elderly grant since the units involved are non-domestic units as specified in the relevant OPs. However, the applicants could still obtain a grant up to 80% of the repair cost (capped at \$16,000).

12. 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 OBB. 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 policy as necessary. In addition, the special arrangement is only applicable to the one-off OBB but not other schemes, including the Building Maintenance Grant Scheme for Elderly Owners and the Integrated Building Maintenance Assistance Scheme of HKHS/URA.

## **FINANCIAL IMPLICATIONS**

13. While we do not have the exact number of eligible EOOs residing in converted units of OBB target buildings, we are of the view that the magnitude should not be significant. Based on our operational experience and the statistics we have gathered so far, a rough estimate is as follows:

- (a) Total number of buildings to be assisted by OBB:  
about 3,000
- (b) Estimated number of commercial units within OBB target buildings as at May 2011: about 9,000
- (c) Estimated percentage of commercial units converted to domestic use: 30%
- (d) Estimated percentage of EOOs in a building: 30%
- (e) Average amount of grant per non-EOO unit: \$16,000
- (f) Average amount of grant per EOO unit: \$33,000
- (g) Difference in amount of grant per EOO residing in a converted unit:  $\$33,000 - \$16,000 = \$17,000$

Based on the above estimation, the additional funding requirement arising from the proposal (i.e. EOO grants are to be provided to EOOs residing in converted units) is about \$14 million ( $\$17,000 \times 9,000$  numbers of commercial units  $\times 30\% \times 30\%$ ). We will absorb the above funding requirement from the total approved commitment of OBB.

14. Members are invited to note our plan to adjust the disbursement of grants to EOOs. We will seek FC's approval for the proposed additional injection of \$1 billion to OBB, together with the above adjustment to OBB, at its meeting on 24 June 2011.

**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 (OBB) 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 was dispensed with in the second round of OBB 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 areas<sup>1</sup>, 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 OBB 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;

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<sup>1</sup> 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.

- (c) repair or replacement of defective windows;
- (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);
- (c) improvement of building services and facilities, e.g. repairing, maintaining and replacing lifts, electrical wiring, gas risers, installation of closed circuit televisions 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.

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.