

**For discussion
on 27 May 2019**

LEGISLATIVE COUNCIL

**JOINT SUBCOMMITTEE TO FOLLOW UP ISSUES RELATING
TO THE REDEVELOPMENT, MAINTENANCE AND
MANAGEMENT OF AGED BUILDINGS**

**Technical and Financial Assistance Schemes
for Facilitating Building Maintenance and Repair**

PURPOSE

This paper provides an overview and latest development of technical and financial assistance schemes to building owners for building maintenance and repair administered by the Urban Renewal Authority (“URA”), the Hong Kong Housing Society (“HKHS”) and the Buildings Department (“BD”).

BACKGROUND

2. It has all along been the Government’s position that it is primarily the owners’ responsibility to ensure that their properties are timely and properly maintained. That said, we do recognise that some owners lack the technical knowledge or financial means to undertake maintenance and repair works for their buildings. In this connection, the Government has been, in partnership with URA and HKHS, administering various schemes to provide technical and financial assistance to owners in need.

TECHNICAL ASSISTANCE TO BUILDING OWNERS

Building Rehabilitation Platform

3. Under the Urban Renewal Authority Ordinance (Cap. 563), one of the purposes of URA is to prevent the decay of the built environment of Hong Kong by promoting the maintenance and improvement of individual buildings as regards their structural stability, integrity of external finishes and fire safety. The Urban Renewal Strategy 2011 has further tasked URA to undertake building rehabilitation as one of its core businesses. In this connection, URA has been providing financial and technical assistance to building owners in need. Last July, URA has consolidated the various building assistance and subsidy schemes into an Integrated Building Rehabilitation Assistance Scheme (“IBRAS”) for easy one-stop application of owners in need.

4. The URA has been administering a one-stop e-platform to provide information on the various assistance schemes and technical support and experience sharing on building rehabilitation. To enhance the breadth and depth of information on building rehabilitation to the public, URA launched the Building Rehabilitation Platform (“the Platform”) on 25 March 2019 to replace the previous platform entitled Building Rehab Info Net. The Platform, at <https://www.brplatform.org.hk>, is an online all-in-one information platform providing comprehensive and professional information along with technical support to building owners. It has consolidated the existing information from the Info Net, as well as pertinent information and resources in other online platforms for easy access of building owners. The Platform has the following characteristics –

- (a) Comprehensive – the Platform is divided into six modules, namely “preventive maintenance”, “defects and orders”, “how to rehab”, “subsidy and assistance”, “service providers directory” and “cost reference centre”, providing comprehensive yet only pertinent information from the perspective of owners.

- (b) Simple and easy to follow – the Platform provides a series of animations guiding users to follow step-by-step in conducting building maintenance and repair up to follow-up action after completion of works.

- (c) Practical – a host of practical information is provided on the Platform. For example, a Building Rehabilitation Guidebook with a broad range of information on preparatory work, appointment of consultants and contractors and monitoring of works is available for download to assist owners to understand the work, procedures and legal requirements involved in each step of building rehabilitation workflow. The URA has appointed professional building and legal consultants to produce sample documents in the engagement of work consultants, registered inspectors and work contractors for reference and adoption by property owners. The sample documents will be released in phases to tie in with the work progress of those participating buildings under the Operation Building Bright 2.0 (“OBB 2.0”) and Fire Safety Improvement Works Subsidy Scheme (“FSWS”). The Platform has set out various technical and financial assistance schemes available for undertaking building maintenance and repair works. In addition, the Platform provides hyperlinks to the lists of service providers including consultants, contractors, mediators and clerks of works as maintained by various government departments, professional institutions and trade associations.

5. The Platform is a joint effort of government departments, relevant public bodies, professional bodies and the industry, and its contents will continue to be enhanced. In this regard, Members may wish to note that URA is planning to include a cost reference centre under the Platform to provide the range of costs of typical rehabilitation works items. It is also exploring the feasibility of establishing an assessment system on the quality of service providers for users’ reference via the Platform.

“Smart Tender” Building Rehabilitation Facilitating Services (“Smart Tender”)

6. Recognising that some owners may be hesitant in organising building repair works due to the lack of technical knowledge or worry that the works would fall prey to bid-rigging syndicates, URA launched the “Smart Tender” in May 2016. Under “Smart Tender”, URA would arrange an independent third-party consultant to offer advice to owners on the documents for procurement of the works contractor and to provide an estimated cost of the works so that owners may assess the reasonableness of the bids received by them. “Smart Tender” also provides an electronic tendering platform for owners to conduct a tendering exercise for engaging contractors. By keeping the identity of interested tenderers anonymous until tender opening, the platform seeks to minimise any manipulation during the tendering stage. Owners will also be provided with a set of “DIY tool-kits” and assigned with URA staff advising them on the procurement of contractor services.

7. When “Smart Tender” was first launched, building owners have to pay a fee of \$25,000 to \$160,000 for using the service, depending on number of units and the average rateable value (“RV”) of the buildings concerned. To promote “Smart Tender”, the Government has earmarked a funding of \$300 million and launched a concession scheme in October 2017 whereby applicants are only required to pay 5% to 50% of the original fee.

8. Until end March 2019, a total of 679 valid applications for “Smart Tender” had been received. Amongst them 601 applications had been approved while the remaining ones were being processed. The URA is conducting a review on the effectiveness of “Smart Tender” with a view to identifying rooms for enhancing it in line with the objectives of the scheme. In the meantime, URA has expanded the e-tendering platform to cover Registered Minor Works Contractors – Class 1, as well as Registered Fire Service Installation Contractors – Classes 1 and 2 (to dovetail with the implementation of the FSWS) and Registered Lift Contractors (to dovetail with the implementation of the Lift Modernisation Subsidy Scheme). The URA plans to extend the e-tendering platform to cover the procurement of consultants shortly.

FINANCIAL ASSISTANCE TO BUILDING OWNERS

9. Although the Government maintains that the responsibility for proper building maintenance and repair lies with the owners, we acknowledge that in reality, many needy owners, especially those of old and dilapidated buildings, might need financial assistance in discharging their responsibility. In this regard, 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 buildings. These include –

- (a) Building Safety Loan Scheme – the scheme is administered by the BD with a revolving loan fund of \$700 million approved by the Finance Committee (“FC”) in 2001. Under the scheme, individual owners of private residential, commercial, composite or industrial buildings may apply for loans to carry out maintenance and repair works for the common areas or privately-owned areas of their buildings to reinstate or improve the safety conditions, and/or private slopes voluntarily, or in compliance with statutory orders. Low interest loan set on the “no-gain, no-loss” basis up to \$1 million per unit may be offered with a repayment period up to 36 months. Eligible owners may apply for interest-free loan and extend the repayment period up to 72 months. From its establishment up to 2018, a total of \$1,264 million loan has been approved. In 2017 and 2018 alone, a total of 1 038 applications were approved, involving \$79 million.
- (b) Common Area Repair Works Subsidy – funded and administered by URA, the scheme provides technical assistance and financial subsidy to owners’ corporation (“OC”) or owners’ organisation (“OO”) for repair works at common parts for private domestic (viz. residential or composite) buildings that are 30 years or above (excluding buildings of three storeys or below) not exceeding the prescribed RV limit. Generally speaking, a maximum subsidy at 20% of the total cost of the approved works for general repair works and green items would be provided subject to a cap of \$4,500 per unit and a cap of \$1.8 million per OC or OO. Eligible owners with financial difficulties may further apply for

hardship grant of \$10,000 per unit. In 2017 and 2018, a total of 319 applications from OO or OC were approved, involving \$81 million.

- (c) Building Maintenance Grant Scheme for Elderly Owners – the scheme was funded by the \$1 billion approved by the FC in 2008 and is administered by HKHS. It provides financial assistance (maximum \$40,000 per owner) to owner-occupiers that aged 60 or above that fulfil the prescribed income and asset criteria for carrying out repair and maintenance works for the common and privately-owned areas of their units. From its establishment up to 2018, some \$636 million has been released or committed. In 2017 and 2018 alone, a total of 4 056 applications were approved, involving \$120 million.
- (d) Home Renovation Interest-free Loan – on top of the loan scheme administered by BD in (a) above, URA also funds and administers another loan scheme that provides interest-free loan up to \$50,000 per unit with a repayment period up to 36 months to individual eligible owners of private residential units of buildings aged 30 or above and are not exceeding the prescribed RV limit for carrying out internal repairs and maintenance works for privately-owned areas. Eligible owners with financial difficulties may further apply for hardship grant of \$10,000 per unit. In 2017 and 2018, a total of 136 applications were approved, involving \$2.6 million.
- (e) Mandatory Building Inspection Subsidy Scheme – to complement the Mandatory Building Inspection Scheme (“MBIS”), URA and HKHS jointly rolled out this scheme in 2012 by their own resources to provide subsidy for OC or OO of private domestic buildings with RV not exceeding the prescribed limit, for carrying out prescribed inspection for common areas under MBIS and Mandatory Window Inspection Scheme. The two organisations used to handle applications from different districts. Depending on the number of units of the application, the subsidy cap ranges from \$25,000 to \$100,000. With the implementation of OBB 2.0 which provides assistance to owner-occupiers for carrying out prescribed inspection and repair works under MBIS, URA has since July 2018

taken over from HKHS administration of this scheme for all districts. In 2017 and 2018, a total of 217 applications were approved, involving \$8.6 million.

- (f) Owners' Corporation Formation Subsidy – this scheme is funded and administered by URA, providing a maximum subsidy at \$3,000 to owners of private domestic buildings to form OC for organising building rehabilitation works. In 2017 and 2018, a total of 246 applications were approved, involving \$740,000.

10. Apart from the aforesaid on-going schemes, the Government has recently launched the following three one-off schemes with the specific objectives of protecting public safety from building neglect, improving the fire safety of buildings and enhancing the safety of lifts.

Operation Building Bright 2.0

11. OBB 2.0 adopts a risk-based approach and focuses on domestic buildings aged 50 or above and do not exceed the prescribed RV limit. Subsidies would primarily be used for undertaking inspection and repair works prescribed under MBIS. To ensure public resources would be allocated to those that are most in need, subsidies would primarily be granted only to owner-occupiers in eligible buildings. There are two categories under the scheme – Category 1 are buildings whose owners join the operation of their own volition and Category 2 buildings are those whose owners may have difficulties in organising the works by themselves (e.g. owners of “3-nil” buildings, viz. buildings that do not have an OC or OO, or have not engaged any property management company). The BD would select Category 2 buildings on a risk basis and exercise its statutory power to carry out the requisite works on behalf of the default owners and seek to recover the cost from the owners afterwards. Eligible owners of Category 2 buildings may claim subsidies under OBB 2.0 to cover part or all of the cost. The URA is our partner in administering OBB 2.0. The \$3 billion scheme is expected to benefit some 2 500 old and dilapidated buildings from 2018 to 2023.

12. All eligible applicants (except for elderly applicants) will be subsidised 80% of the cost of undertaking the prescribed inspection and

repair works in the common areas of a building subject to a cap of \$40,000 per unit. Eligible elderly applicants aged 60 or above will be subsidised 100% of the cost subject to a cap of \$50,000 per unit. Besides, an additional subsidy covering 50% of the cost subject to a cap of \$6,000 per unit is available for undertaking inspection and repair works for the private projecting structures in individual units prescribed under MBIS.

13. The first round of application was closed in end October 2018. A total of 579 eligible applications, involving 479 buildings (as some buildings involve more than one Deed of Mutual Covenants (“DMC”) whilst application is made on individual DMC basis) were received. The URA has informed all applicants of the application result. To avoid bunching of building repair works which may jack up prices, the inspection and repair works for eligible buildings would be rolled out by phase according to the priority accorded to them. The URA has already approached the first batch of Category 1 buildings and begun to assist owners to organise the prescribed inspection and repair works. On the other hand, BD has also selected 140 Category 2 buildings as of end March 2019; default works for some of the buildings have already commenced. We expect to invite the second round of application in around 2020.

Fire Safety Improvement Works Subsidy Scheme

14. The \$2-billion FSWS provides subsidies to owners of target composite buildings for complying with the requirements on enhancing the fire safety of common areas of the buildings concerned pursuant to the Fire Safety (Buildings) Ordinance (Cap. 572) (“FS(B)O”). The Scheme, which was announced in the 2017 Policy Address, aims to assist the owners of old buildings which have been served with fire safety directions by the Fire Services Department and BD under FS(B)O but with the necessary works yet to be completed before the date of the 2017 Policy Address, and with the average RV of their residential units not exceeding the prescribed level. It is expected that the \$2-billion sum can benefit around 2 000 target buildings.

15. Under FSWS, the amount of subsidy for owners of eligible building is up to a maximum of 60% of the works costs and consultancy fees, or the subsidy ceiling for the corresponding category of buildings, whichever is the less. The subsidy is to cover works items in common areas of the building required for compliance with FS(B)O, including provision or improvement of fire hydrants and hose reel systems, manual fire alarm systems, or protection of exit routes and staircases with fire resisting construction, provision or replacement of fire doors, etc..

16. The FSWS was open for application from 9 July to 31 October 2018. A total of 2 572 applications were received, of which around 2 430 meet the basic requirements of FSWS. Having due regard to the supply of qualified contractors in the market, applications for FSWS will be processed by phases. The URA has sent the application result and priority notification to the applicants. Case officers will be assigned to contact applicants by phase to provide appropriate assistance.

Lift Modernisation Subsidy Scheme (“LIMSS”)

17. On 29 March 2019, the Government launched a \$2.5-billion LIMSS to facilitate lift modernisation in the community through the provision of financial incentive with appropriate professional support to building owners in need, thereby enhancing the safety level of aged lifts and further safeguarding public safety. The LIMSS focuses on aged lifts at private residential and composite buildings not exceeding the prescribed RV limit, as with OBB 2.0 and FSWS. Priority will be accorded to lifts which have not been installed with safety devices up to the latest standard. The URA is the administrative agent for LIMSS. It is our target to modernise about 5 000 aged lifts in around six years under LIMSS having regard to the capacity of the industry without inflating market prices for such modernisation works.

18. Under LIMSS, successful applications can receive subsidy of 60% of the total cost of the lift modernisation works and subsidy of the fee of consultants (if any) engaged by participating buildings (at a cap of \$20,000 per lift), subject to a total cap of \$500,000 per lift. Moreover, eligible elderly owner-occupiers aged 60 or above can be subsidised the full cost of one property under their ownership that they need to

contribute towards the lift modernisation works, subject to a cap of \$50,000 per domestic unit. The first-round applications for LIMSS started on 29 March 2019 for closing on 31 July 2019. The priority of the eligible applicants will be notified of the results by the fourth quarter of 2019. Details of the second-round applications for LIMSS will be announced in due course.

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