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Panel on Development

Meeting on 16 December 2019

Background brief on proposed funding injections and enhancements to Operation Building Bright 2.0, Lift Modernisation Subsidy Scheme, and Building Maintenance Grant Scheme for Elderly Owners

Purpose

This paper provides background information on the Administration's proposed funding injections and enhancements to Operation Building Bright 2.0 ("OBB 2.0"), Lift Modernisation Subsidy Scheme ("LIMSS"), and Building Maintenance Grant Scheme for Elderly Owners ("BMGSEO"), and a brief account of the views expressed by Legislative Council Members on these subsidy schemes since the 2017-2018 session.

Background

2. According to the Administration, it has implemented various technical and financial assistance schemes to help building owners in need to maintain and repair their buildings.¹

¹ Such schemes include: Mandatory Building Inspection Subsidy Scheme; Common Area Repair Works Subsidy; OBB 2.0; LIMSS; BMGSEO; Fire Safety Improvement Works Subsidy Scheme ("FSWS"); Hardship Grant; "Smart Tender" Building Rehabilitation Facilitating Services; Home Renovation Interest-free Loan; and Building Safety Loan Scheme. Please refer to the "Building Rehabilitation Platform" of the Urban Renewal Authority for details of the various schemes: <https://brplatform.org.hk/en/subsidy-and-assistance/integrated-building-rehabilitation-assistance-scheme>.

3. On 11 October 2019,² the Administration announced its plan to inject \$10.5 billion for the enhancements of four existing subsidy schemes, namely, OBB 2.0, LIMSS, BMGSEO and Fire Safety Improvement Works Subsidy Scheme³. According to the Development Bureau ("DEVB"), the major directions of the enhancements to the three schemes under its purview, i.e. OBB 2.0, LIMSS and BMGSEO,⁴ are as follows:⁵

- (a) *OBB 2.0* – the Administration has planned to increase the original commitment of \$3 billion to \$6 billion under OBB 2.0 with a view to increasing the number of buildings to be benefited from around 2 500 to around 5 000. It has also planned to extend the second round of applications, which is scheduled for the third quarter of 2020, to eligible domestic buildings aged between 40 and 49 with outstanding Mandatory Building Inspection Scheme ("MBIS") notice(s) for the common parts of the buildings, in addition to the existing eligible buildings that are aged 50 or above. The target is to commence the prescribed inspection and repair works of all participating buildings in seven years' time;
- (b) *LIMSS* – the Administration has planned to allocate an additional \$2 billion to subsidize the modernization of 3 000 more lifts. It has further proposed the provision of outreach services to needy residents (e.g. the aged and the disabled) affected by lift modernization works especially for buildings with single lift or floors served by one lift only including, e.g. delivery of food and meals and provision of stair-climber services. The Administration will collaborate with Construction Industry Council to arrange an appropriate training scheme to attract new blood to join the lift industry and target to roll out the scheme orderly over seven years to avoid inflating market prices or affecting works quality; and

² The Administration's press release: <https://www.info.gov.hk/gia/general/201910/11/P2019101100578.htm>

³ Fire Safety Improvement Works Subsidy Scheme is under the purview of the Security Bureau.

⁴ The key features of these three subsidy schemes are given in **Appendix I**.

⁵ Source: LC Paper No. [CB\(1\)38/19-20\(01\)](#) provided by the Administration on initiatives of DEVB in the Chief Executive's 2019 Policy Address and Policy Address Supplement

- (c) *BMGSEO* – the Administration has planned to inject an additional \$2 billion to the scheme, and enhance the depth and breadth of assistance to needy owner-occupiers by (i) increasing the level of the maximum grant from the current \$40,000 per case to \$80,000 per case; (ii) uplifting the prevailing asset limit from two times of the asset limit for Normal Old Age Living Allowance ("Normal OALA")⁶ to three times; and (iii) extending the scope of beneficiaries to cover non-elderly owner-occupiers who are recipients of Comprehensive Social Security Assistance or Disability Allowance subject to appropriate income and asset tests.

Major views and concerns expressed by members

4. The Panel on Development ("the Panel") has discussed OBB 2.0 and LIMSS at its various meetings since March 2017. The Joint Subcommittee to Follow Up Issues Relating to the Redevelopment, Maintenance and Management of Aged Buildings ("the Joint Subcommittee") formed under the Panel and the Panel on Home Affairs also discussed the various technical and financial assistance schemes for facilitating building maintenance and repair in the 2018-2019 session. The major views and concerns expressed by members on OBB 2.0, LIMSS BMGSEO are summarized in the ensuing paragraphs.

Operation Building Bright 2.0

Eligible buildings

5. While Panel members in general welcomed the introduction of OBB 2.0, they suggested increasing the ceilings on the average rateable values ("RV") of the participating buildings so that more buildings could be covered. Besides, Panel members noted the Administration's proposal that aged "three-nil" buildings⁷ with MBIS notices would be selected by the Buildings Department ("BD") to be included as Category 2 buildings under OBB 2.0. Members suggested that other "three-nil" buildings might also be enlisted as Category 2 buildings if their owners so requested, given the difficulties faced by these owners in coordinating the prescribed inspection and repair works in the common parts of the buildings.

⁶ With effect from 1 February 2019, the prevailing asset limit for Normal OALA is \$343,000 for single persons and \$520,000 for married couples.

⁷ "Three-nil" buildings are those buildings that do not have an owners' corporation or owners' organization, or have not engaged any property management company.

6. The Administration advised that, to ensure proper use of public resources, it would focus on providing appropriate assistance to those needy owners in discharging their responsibility to properly maintain their buildings. By setting the current average RV ceilings on participating buildings, around 80% of buildings aged 50 years or above would be covered. To take forward the inspection and repair works in the common parts of Category 2 buildings, BD would proactively select those eligible buildings and determine the priority among the selected buildings for conducting works in default of the owners based on risk assessment.

Subsidy level

7. Regarding the Administration's proposal to provide a higher rate of subsidy to elderly eligible applicants aged 60 or above at 100% of the cost subject to a cap of \$50,000 per unit, some Panel members suggested that the Administration should consider granting higher rate of subsidy to eligible applicants who were issued with "Registration Card for People with Disabilities". The Administration undertook to take into account members' suggestion when reviewing the implementation of OBB 2.0 before inviting the second round of applications in around 2020.

Implementation plan and monitoring of quality of work

8. Panel members also discussed issues on the implementation of OBB 2.0, such as the possible pressure on the market due to a surge in the demand for building maintenance works, and the monitoring of the quality of works subsidized under OBB 2.0. They also urged the Administration and Urban Renewal Authority ("URA") to take effective preventive measures against corruptive practices and bid-rigging in implementing OBB 2.0.

9. The Administration was mindful that a surge of demand for building repair and maintenance works might create undue pressure on the market. Hence, OBB 2.0 would initially subsidize around 2 500 buildings the repair and maintenance works for which would space out over a few years. Apart from the regular efforts against bid-rigging, new measures would be put in place for OBB 2.0. Owners of participating Category 1 buildings had to participate in URA's Smart Tender Scheme.⁸ All buildings joining OBB 2.0

⁸ URA launched the Smart Tender Scheme in May 2016. Under the Scheme, 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. An electronic tendering platform is provided for owners to conduct tendering exercise for engaging contractors.

would also be automatically registered for the RenoSafe Scheme⁹ operated by the Police, which would offer services including a hotline for enquiries and crime reporting, as well as education materials relating to building repair works.

Lift Modernisation Subsidy Scheme

Eligibility for subsidy

10. Some Panel members expressed disappointment with the stringent application threshold of LIMSS. At its meeting on 23 October 2018, the Panel passed two motions urging the Administration to, inter alia, relax the application threshold of LIMSS, and extend the coverage to allow elderly owner-occupiers to apply for subsidies under LIMSS even if they were living in buildings that were not eligible under LIMSS.

11. The Administration advised that LIMSS aimed at providing appropriate support to needy owners to facilitate modernization of their aged lifts. Relaxing the average RV ceiling of LIMSS would not necessarily increase the number of subsidy recipients but might defeat the policy intent of helping those more needy owners. Based on the existing RV ceiling, it was estimated that about 13 000 lifts would meet the eligibility criteria for LIMSS. For elderly owner-occupiers of eligible buildings, the Administration advised that additional subsidy, at a cap of \$50,000 per domestic unit would be granted to them under LIMSS without the need to undergo any asset or income means test. Besides, there were some other existing subsidy schemes including BMGSEO and the Building Safety Loan Scheme which could offer financial assistance to elderly owner-occupiers to modernize their aged lifts where appropriate.

Monitoring of quality of works

12. In response to Panel members' suggestion that the Administration should assist the building owners in monitoring the progress and quality of the lift modernization works, the Administration advised that URA would engage consultants to provide free services to the participating buildings for pursuing the lift modernization works. The services included, inter alia, scope assessment, tender document preparation based on proforma standard tender documents, tender evaluation (limited to offering technical advice), works supervision and contract management associated with the lift modernization works.

⁹ RenoSafe was launched in 2013 as a crime prevention programme to pre-empt building renovation crime.

Manpower of the lift industry

13. Panel members expressed concern as to whether there would be sufficient manpower in the lift industry to cope with the increased number of lift modernization works upon the implementation of LIMSS. They urged the Administration to improve the working environment and wage level of the lift industry, and examine further ways to attract new entrants to the industry.

14. According to the Administration, LIMSS would be implemented in an orderly manner in a six-year period and the maximum number of lifts to be modernized each year would be set to alleviate the manpower pressure of the industry. The Administration also advised that it had implemented a series of measures to attract more new recruits to the lift and escalator industry in recent years, including the Earn & Learn Scheme, lift and escalator courses provided for training workers, the Contractor Cooperative Training Scheme, etc.

Building Maintenance Grant Scheme for Elderly Owners

15. At the Joint Subcommittee meeting on 27 May 2019, members asked whether the Administration would increase the amount of financial assistance, and abolish the means-test requirement under BMGSEO. The Administration responded that it would soon conduct a review of BMGSEO, covering the way forward of the scheme, the means-test requirement and the amount of financial assistance.

Latest development

16. At the Panel meeting to be held on 16 December 2019, the Administration will brief members on the proposed funding injections for the enhancements of OBB 2.0, LIMSS, and BMGSEO.

Relevant papers

17. A list of relevant papers is in the **Appendix II**.

Key features of Operation Building Bright 2.0, Lift Modernisation Subsidy Scheme, and Building Maintenance Grant Scheme for Elderly Owners

Operation Building Bright 2.0

- In the Chief Executive("CE")'s 2017 Policy Address, the Administration announced the implementation of Operation Bright 2.0 ("OBB 2.0") at a cost of \$3 billion to provide direct technical and financial assistance to needy building owners in carrying out the prescribed inspection and repair works under the under the Mandatory Building Inspection Scheme ("MBIS"). Approval for the \$3 billion funding proposal of the OBB 2.0 was sought in the context of the Appropriation Bill 2018.¹
- The Urban Renewal Authority ("URA") has been commissioned as the administrative agent of OBB 2.0.
- OBB 2.0 adopts a risk-based approach and focuses on domestic buildings aged 50 or above and with relatively low average rateable values ("RV"). The average annual RV limit of domestic units in a participating building should not exceed \$162,000 in urban areas (including Shatin, Kwai Tsing, Tsuen Wan) and \$124,000 in the New Territories. The target is to benefit some 2 500 old and dilapidated buildings from 2018 to 2023.
- There are two categories of buildings under OBB 2.0:
 - ✧ Category 1 buildings covering those buildings whose owners are prepared to take up the organization of the prescribed inspection and repair works for at least the common parts of their buildings, with or without being served MBIS notices; and
 - ✧ Category 2 buildings covering those buildings which have outstanding MBIS notices but the owners concerned have difficulty in coordinating the inspection and repair works themselves (e.g. owners of "three-nil" buildings, viz buildings that do not have an owners' corporation or owners' organization, or have not engaged any property management company). The Buildings Department ("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.

¹ The Appropriation Bill 2018 was passed on 10 May 2018.

- All eligible applications (except for elderly applicants) will be subsidized 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 subsidized 100% of the cost subject to a cap of \$50,000 per unit. 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.
- 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. On the other hand, BD has also selected 140 Category 2 buildings as of end March 2019. The Administration expects to invite the second round of application in around 2020.

Lift Modernisation Subsidy Scheme

- In CE's 2018 Policy Address, the Administration announced its plan to launch a \$2.5 billion Lift Modernisation Subsidy Scheme ("LIMSS") to promote lift modernisation in the community through provision of financial incentive with appropriate professional support to building owners in need, thereby enhancing lift safety. It has been funded by a non-recurrent commitment of \$2.5 billion approved by the Finance Committee ("FC") in 2018.²
- URA has been commissioned as the administrative agent of LIMSS.
- According to the Administration, LIMSS focuses on aged lifts at private residential and composite buildings not exceeding the prescribed RV limit, as with OBB 2.0 mentioned above.
- Priority will be accorded to lifts which have not been installed with safety devices up to the latest standard. It is the Administration's target to modernize 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 works.
- Successful applications can receive subsidy of 60% of the total cost of the lift modernization works and subsidy of the fee of consultants (if any)

² Please refer to [FCR\(2018-19\)63](#) approved by FC at its meeting on 7 December 2018.

engaged by participating buildings (at a cap of \$20,000 per lift), subject to a total cap of \$500,000 per lift. Eligible elderly owner-occupiers aged 60 or above can be subsidized the full cost of one property under their ownership that they need to contribute toward the works, subject to a cap of \$50,000 per domestic unit.

- The first round of application started on 29 March 2019 and closed on 31 July 2019. Details of the second round applications will be announced in due course.

Building Maintenance Grant Scheme for Elderly Owners

- Building Maintenance Grant Scheme for Elderly Owners ("BMGSEO") is an on-going scheme launched in 2008 to provide financial assistance to elderly owner-occupiers to repair and maintain their buildings and improve building safety. It was funded by a non-recurrent commitment of \$1 billion approved by FC in 2008.³
- Hong Kong Housing Society ("HKHS") has been commissioned as the administrative agent of BMGSEO.
- Eligible applicants aged 60 or above who fulfil the prescribed income and asset criteria, may get a maximum grant of \$40,000 (per owner) for carrying out repair and maintenance works for the common and privately owned areas of their units. The grant can also be used to repay the outstanding loan(s) with BD, HKHS or URA in relation to building maintenance.
- Eligible applicants should be recipient of Comprehensive Social Security Assistance or Old Age Living Allowance or comply with income and asset limits currently at \$7,970 and \$686,000 respectively for singletons, and \$13,050 and \$1,040,000 respectively for couples.
- 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.

(Source: Website of the [Integrated Building Rehabilitation Assistance Scheme](#) and LC Paper No. [CB\(2\)1496/18-19\(01\)](#))

³ Please refer to [FCR\(2008-09\)5](#) approved by FC at its meeting on 25 April 2008.

**Proposed funding injections and enhancements to
Operation Building Bright 2.0, Lift Modernisation Subsidy Scheme,
and Building Maintenance Grant Scheme for Elderly Owners**

List of relevant papers

Committee	Date of meeting	Paper
Panel on Development	20 December 2017 (Item IV)	<p>Administration's paper — Operation Building Bright 2.0 [LC Paper No. CB(1)343/17-18(04)]</p> <p>Updated background brief on Operation Building Bright prepared by the Legislative Council ("LegCo") Secretariat [LC Paper No. CB(1)343/17-18(05)]</p> <p>Minutes of meeting [LC Paper No. CB(1)718/17-18]</p>
Panel on Development	29 May 2018 (Item VII)	<p>Administration's paper — Enhancing safety of aged lifts [LC Paper No. CB(1)996/17-18(07)]</p> <p>Updated background brief on regulatory control over lift and escalator safety prepared by the LegCo Secretariat [LC Paper No. CB(1)996/17-18(08)]</p> <p>Administration's responses to motions passed at the meeting [LC Paper Nos. CB(1)1127/17-18(01), (02), (03) and (04)]</p> <p>Administration's follow-up paper on issues arising from the meeting [LC Paper No. CB(1)1146/17-18(01)]</p> <p>Minutes of meeting [LC Paper No. CB(1)55/18-19]</p>

Committee	Date of meeting	Paper
Panel on Development	23 October 2018 (Item IV)	<p>Administration's paper — Lift Modernisation Subsidy Scheme [LC Paper No. CB(1)35/18-19(03)]</p> <p>Updated background brief on lift safety prepared by the LegCo Secretariat [LC Paper No. CB(1)35/18-19(04)]</p> <p>Administration's responses to motions passed at the meeting [LC Paper Nos. CB(1)158/18-19(01) and (02)]</p> <p>Minutes of meeting [LC Paper No. CB(1)455/18-19]</p>
Joint Subcommittee to Follow Up Issues Relating to the Redevelopment, Maintenance and Management of Aged Buildings	27 May 2019 (Item I)	<p>Administration's paper — Technical and Financial Assistance Schemes for Facilitating Building Maintenance and Repair [LC Paper No. CB(2)1496/18-19(01)]</p> <p>Background brief on Technical and Financial Assistance Schemes for Facilitating Building Maintenance and Repair prepared by the LegCo Secretariat [LC Paper No. CB(2)1496/18-19(02)]</p> <p>Administration's response to issues arising from the meeting [LC Paper No. CB(2)1886/18-19(01)]</p> <p>Minutes of meeting [LC Paper No. CB(2)1849/18-19]</p>
--	16 October 2019	The Chief Executive's 2019 Policy Address
Panel on Development	--	Administration's paper — Initiatives of Development Bureau in the Chief Executive's 2019 Policy Address and Policy Address Supplement [LC Paper No. CB(1)38/19-20(01)]