

**For discussion  
on 4 November 2019**

**Legislative Council Panel on Housing**

**Proposed Funding Scheme  
to Support Transitional Housing Projects  
by Non-government Organisations**

**PURPOSE**

To facilitate non-government organisations (“NGOs”) to take forward transitional housing projects and to substantially increase transitional housing supply to provide a total of 10 000 units within the next three years (from 2020-21 to 2022-23) in order to relieve the pressure of families living in unpleasant conditions and those waiting for Public Rental Housing (PRH) for a long time, the Chief Executive announced on 16 October 2019 that the provision set aside by the Government to support NGOs in providing transitional housing will increase from \$2 billion as announced by the Financial Secretary in his 2019-20 Budget to \$5 billion. This paper aims to -

- (a) seek Members’ views on the proposed creation of a non-recurrent commitment of \$5 billion for setting up a Funding Scheme to Support Transitional Housing Projects by NGOs (“the funding scheme”);
- (b) brief Members on the proposed implementation arrangements for the funding scheme; and
- (c) seek Members’ views on the proposed creation of one supernumerary Administrative Officer Staff Grade C (“AOSGC”) (D2) post for five years up to 31 March 2025.

**JUSTIFICATIONS**

2. As one of the six new housing initiatives announced by the Chief Executive on 29 June 2018, a task force on transitional housing (“Task Force”) has been established under Transport and Housing Bureau (“THB”) to actively assist and facilitate various short-term initiatives proposed and implemented by the community with a view to increasing the supply of transitional housing.

3. The Task Force has assisted and facilitated a number of transitional housing projects proposed and operated by NGOs, including social housing in privately owned vacant residential buildings and vacant government premises, other initiatives by different NGOs including proposals of using “Modular

Integrated Construction” method to construct transitional housing on vacant government lands and privately owned lands, or converting vacant non-residential buildings (such as privately owned vacant school premises or industrial buildings) to transitional housing.

4. As at September 2019, a total of around 620 transitional housing units are operating under different NGOs. A list of these existing transitional housing projects is summarised at **Annex 1**. Currently, NGOs are expected to seek funding from different sources to finance the costs of the capital works involved in a transitional housing project, but the required efforts and financial commitment may, depending on individual circumstances, be disproportionate to the proposed short-term and non-profit-making uses, or may go beyond NGOs’ financial and technical capability. In order to facilitate NGOs take forward more transitional housing projects to meet the objective announced in the Chief Executive’s 2019 Policy Address, the Government considers it necessary to provide additional financial support to the NGOs by introducing a dedicated funding scheme. Having considered the scope, complexity and sensitivity of the proposed funding scheme, it is considered necessary to create one AOSGC post to oversee the implementation of the funding scheme; provide policy support and overall supervision for the Task Force in taking forward the initiatives on transitional housing.

**PROPOSED FUNDING SCHEME**

5. We intend to seek the approval of the Finance Committee of the Legislative Council for the creation of a non-recurrent financial commitment of \$5 billion to introduce a funding scheme to support transitional housing projects taken forward by NGOs.

*Objective*

6. The objective of the funding scheme is to support NGOs to provide not-for-profit transitional housing projects including government or privately owned lands and premises, to alleviate the hardship faced by individuals and families awaiting PRH and the inadequately housed households.

*Eligibility*

7. The applicant of the funding scheme must be one of the following -
- (a) charitable institution or trust of a public character exempt from tax under section 88 of the Inland Revenue Ordinance (Cap. 112) ;
  - (b) a company incorporated under the Companies Ordinance (Cap. 622) or the former Companies Ordinance (Cap. 32) as limited by

- guarantee whose objects and powers do not include distribution of profits to members, or a non-profit-making society registered or body established under any legislation in Hong Kong<sup>1</sup>; or
- (c) takes the form of a social enterprise<sup>2</sup>.

### *Funding scope*

8. The funding scheme is to provide financial support for NGOs to carry out the works required to make fit the potential sites/premises for transitional housing projects on a one-off basis. Given the wide array of works involved, the project applicants are allowed to seek funding under the funding scheme by a phased approach, i.e. a project applicant may submit multiple applications for a single transitional housing project. Examples of the subsidised works include -

- (a) site formation and slope improvement work;
- (b) erection of temporary structures (such as those using “Modular Integrated Construction” methods);
- (c) provision of sewerage/drainage;
- (d) pedestrian/vehicular access;
- (e) renovation of dilapidated premises;
- (f) installation of fire safety equipment;
- (g) installation of barrier-free facilities;
- (h) basic internal fitting-out necessary to make the units fit for accommodation purpose;
- (i) one-off upgrading works to meet statutory requirements;
- (j) consultancy services commissioned to determine the technical feasibility or parameters of the proposed works<sup>3</sup>;

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<sup>1</sup> In that case, the project applicant must provide a certificate of its registration or establishment issued under the relevant Ordinance, and a certified copy of its constitutional document which includes an express clause specifying that it does not distribute profits to its members, directors, shareholders, employees or any other persons.

<sup>2</sup> There is no statutory definition of social enterprise (“SE”) in Hong Kong. In general, a SE is a business to achieve specific social objectives such as providing services or products needed by the community, creating employment and training opportunities for the socially disadvantaged and protecting the environment. Its profits will be principally reinvested in the business for the social objectives it pursues. We expect an SE making an application should be an institution listed under the “SEs or SE projects funded by the Government” compiled by the Home Affairs Department (<https://www.sehk.gov.hk/en/members.html>), or the “Social Enterprise Directory” compiled by the Social Enterprise Business Centre (<https://socialenterprise.org.hk/en/sedb>) or the “Social Enterprises Endorsement Mark” compiled by the Hong Kong General Chamber of Social Enterprises Limited (<https://seemark.hk/>).

<sup>3</sup> The consultancy services may cover-

- (i) preliminary feasibility studies or minor investigation or site survey;
- (ii) detailed design, contract administration, management of resident site staff and supervision of works
- (iii) submission of plans to Buildings Department and other government departments concerned; and
- (iv) quantity surveying services, including tender documentation and assessment, valuations, cost control and account preparation.

- (k) project management for the execution of the subsidised works;
- (l) administrative work of the project operator before the tenants move in;
- (m) removal of the temporary structures and the associated installations and fitting-out after the expiry of the transitional housing terms; and
- (n) insurance policies covering any potential claims that may arise during surveys, investigations and works.

9. The transitional housing projects shall be operated on a non-profit-making and cost-recovery basis. The daily operation and maintenance costs, including any related social services costs<sup>4</sup>, are not funded under the funding scheme, but the project operators are allowed to deduct such costs from the revenue generated from the operation of the project, e.g. rental income. Any surplus of the project attained by the project operator should be re-invested in the improvement of the project itself, other transitional housing projects and/or other social welfare purposes run by the project operator concerned subject to THB's prior agreement/approval. The rent level of transitional housing is expected to be lower than the relevant market rent<sup>5</sup> and will be determined based on the individual circumstances of each project and to be mutually agreed and specified in the funding agreement between the Government and the project applicant.

#### *Funding ceiling*

10. The funding to be allocated to each approved project depends on the merits of the proposal submitted by the project applicant and a number of site specific factors, including but not limited to the size of the site, existing conditions and configuration, technical requirements, extent of infrastructure required, etc. With reference to existing transitional housing initiatives, we propose that the total financial subsidy for each transitional housing unit, which include all the works as mentioned in paragraph 8 above, should not exceed the following. –

- (a) \$0.2 million for each transitional housing unit for projects situated in vacant residential building; and
- (b) \$0.55 million for each transitional housing unit to be provided through erection of temporary structure on vacant land; and in non-residential building.

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<sup>4</sup> Social services costs include the costs for the community-based empowering services to tenants, the personal and social resilience services and etc.

<sup>5</sup> The market rent is in general determined by drawing reference to the monthly average rent figures of flats with similar size in the nearby areas in the "Hong Kong Property Review " published by the Rating and Valuation Department. Valuation reports from independent assessors will be sought for specific cases, if considered necessary.

11. In case multiple applications are submitted for a transitional housing project, the above funding ceiling applies to the total financial subsidy to the entire project under all phased applications. In each phased application, applicants will be required to declare the financial subsidy applied or being applied in parallel for the same project for verification.

#### *Payment arrangement*

12. Project applicants can apply the funding at different stages of the projects, and each approved funding will be disbursed by instalments subject to the fulfillment of project milestones stated in the funding agreement, the verification of certified invoices or bills and work done.

#### *Project operation period*

13. The transitional housing projects operations are normally expected to be in service for not less than three years. However, projects for less than three years will also be considered under exceptional circumstances, but the funding subsidised for such projects may, depending on the merits of individual cases, be lower than the financial ceiling as specified in paragraph 10 above.

#### *Mechanism*

14. The Under Secretary for Transport and Housing (USTH) will be the approving authority for projects under the funding scheme. An Assessment Committee, chaired by USTH and comprising representatives from relevant bureaux/departments (B/Ds) and non-official members appointed by the Secretary for Transport and Housing, will be responsible for assisting USTH in vetting applications and overseeing the implementation of the funding scheme.

15. The Assessment Committee is expected to assess the technical, financial and social aspects of the proposed projects and check whether they are within the scope and financial ceiling as mentioned in paragraph 8 to 11 above. In particular, the Assessment Committee will see to it that the amount of funding granted to each approved project should be in line with the principles of economy, efficiency, and effectiveness in the use of resources thereby achieving good value for money. The Assessment Committee will also look into the experience and capability of applicants, and the timeframe required by them in implementing the projects.

## **MONITORING AND CONTROL**

16. Successful applicants will be required to sign a funding agreement (“Agreement”) with the Government in respect of the implementation of the approved works on the relevant sites/premises. All approved projects will be monitored by the Assessment Committee, with the support of the Vetting/Audit Team under the Task Force, against the milestones stated in the Agreement<sup>6</sup>.

17. To ensure that the transitional housing project is developed and operated in accordance with the policy objectives, successful applicants will be governed by the Agreement which will set out the parameters under which the successful applicants will manage and maintain the transitional housing project, such as the rental level of a unit, tenancy period, basic eligibility criteria for the transitional housing (e.g. income and asset limits), operation mode and exit plan of the transitional housing. These parameters should be included in the project proposal and agreed by the Assessment Committee in the project vetting process. The Assessment Committee may also impose additional condition(s) for the project and, subject to mutual agreement with the project applicant, include such in the Agreement.

18. Successful applicants are also required to keep a proper set of books and records for the project receiving funding support under the funding scheme. They will be required to submit regular progress reports and financial reports on the funding subsidy for the project against the milestones agreed in the Agreement certified by independent auditors until commencement to intake tenants. They will also be required to submit annual reports to THB with designated operating accounts on the project certified by independent auditors until the end of the transitional housing operations. A mechanism will be in place to suspend the disbursement of funding, cease a project or require the applicant to refund the amount disbursed in case of unsatisfactory project progress or contravention of the funding guidelines.

19. To ensure transparency and accountability on the use of the grants under the funding scheme, THB will submit an annual report on the approved applications and implementation progress of projects to this Panel.

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<sup>6</sup> In the Agreement, we would specify that the funding granted to each successful applicant will not impose any recurrent financial obligations on the Government. The successful applicant should also procure appropriate insurance policies and indemnify the Government against any claim that may arise during surveys, investigation, works and operation in accordance with the Agreement.

## **EXPECTED BENEFITS**

20. The funding scheme clearly demonstrates the Government's commitment to strengthening efforts in facilitating the implementation of various short-term initiatives carried out by the community on top of the Government's long-term housing policy. Through implementation of the proposed funding scheme, the exact number of transitional housing units generated and the number of beneficiaries will depend on the number of project applications to be received and approved, with the target of providing 10 000 units within the next three years.

## **STAFFING PROPOSAL**

21. With the Government's policy objective to substantially increase the number of transitional housing projects to provide a total of 10 000 units within the next three years, we consider it necessary to create a new AOSGC post in Housing Department ("HD") to work under the Task Force of THB. The AOSGC will, on one hand, oversee the administration of the funding scheme and, on the other hand, provide policy support and overall supervision for the Task Force in facilitating the transitional housing projects. In particular, we envisage that going forward, the Task Force will be engaged in large-scale transitional housing projects which are more complex and resource-consuming in all aspects. More controversial public consultation and town planning process would also be inevitable. The AOSGC will also be responsible for overseeing the development of policy and procedural framework to cater for the new initiatives on the transitional housing, overseeing the establishment and operation of the funding scheme, and providing intensive high-level liaison with all relevant B/Ds concerning the planning, lands, infra-structural and environmental issues in the application for temporary change of use for lands in the New Territories. The whole range of work, including the review of the funding scheme and the transitional housing targets, will last beyond three years. Therefore, we propose creating a supernumerary AOSGC (D2) post for five years up to 31 March 2025.

22. The AOSGC will be supported by three teams, namely the Facilitation/Advisory Team, the Policy Team and the Vetting/Audit Team. The Facilitation/Advisory Team will assume the role of co-ordinating efforts from various B/Ds in the facilitation of community initiatives. The Policy Team will handle submission to policy committee, LegCo and District Council, etc., as well as the policy issues on transitional housing. The Vetting/Audit Team will oversee the funding scheme.

23. The proposed job description of the supernumerary AOSGC post is at **Annex 2**. The existing and proposed organisation charts of the Task Force are at **Annex 3** and **Annex 4** respectively.

24. In addition to the above directorate staffing proposal, a total number of ten time-limited non-directorate posts for five years from the professional, executive, clerical and secretarial grades will be created in 2020-21 to strengthen support to the Task Force.

## **FINANCIAL IMPLICATIONS**

25. The implementation of the funding scheme requires a non-recurrent funding of \$5 billion. The annual cash flow is essentially demand driven and will depend on the actual number of applications received and approved, as well as the amount of subsidy to be disbursed each year.

26. The proposed creation of one supernumerary AOSGC post in HD to work under the Task Force of THB will involve an additional notional annual salary cost at mid-point of \$2,179,800. The additional full annual average staff cost, including salaries and staff on-cost, is about \$3,074,000. The ten non-directorate posts to be created in HD in 2020-21 to work under the Task Force of THB as mentioned in paragraph 24 above will involve additional notional annual salary cost at mid-point of \$8,928,210 and full annual average staff cost, including salaries and staff on-cost, of about \$13,747,000. We will include the necessary provision in the 2020-21 draft Estimates of HD to meet the cost of the staffing proposal and will reflect the resources required in the Estimates of subsequent years.

## **IMPLEMENTATION TIMETABLE**

27. Subject to the funding approval by the Finance Committee, the funding scheme will be formally launched in the second quarter of 2020. NGOs which have secured in-principle policy support from THB on or after 27 February 2019<sup>7</sup>, when the Budget Speech was delivered, for their transitional housing projects and where tenants have yet to move in may apply.

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<sup>7</sup> Applications for project with works already been commenced before 27 February 2019 would not be accepted.



## **VIEWS SOUGHT**

28. Members are invited to provide comments on the funding scheme and staffing proposal. We plan to afterwards seek the approval of the Finance Committee in December 2019 for creating a non-recurrent commitment of \$5 billion to implement the funding scheme in paragraph 1(a) and submit the staffing proposal in paragraph 1(c) to the Establishment Subcommittee for making a recommendation to the Finance Committee.

**Transport and Housing Bureau  
October 2019**

### List of Existing /Announced Transitional Housing Projects

Operation Organisation	Project	Unit
<b>1. Residential Buildings (Existing Projects)</b>		
Light Be	Light Home	70
	Light Housing	40
Society for Community Organization	「喜家」	15
	「友樂居」	39
	「友家」	4
	Electric Road	5
Lok Sin Tong	Lok Sin Tong Social Housing Scheme	75
St. James' Settlement	James' House	14
Hong Kong Sheng Kung Hui Welfare Council	Good Homes	60
The Aberdeen Kai-fong Welfare Association Social Service	Best Neighbour Walk Together	16
The Salvation Army	Home Plus	53
Hong Kong Housing Society	Transitional Rental Housing Scheme - Yue Kwong Chuen	217
Yan Oi Tong	Green Garden	11
J Life Foundation	Pitt Street	2
	Yee Kuk Street	
Kwun Tong Methodist Social Service	Ka Lok Street, Kwun Tong	1
<b>Total No. of Units for Existing Projects :</b>		<b>622</b>
<b>Erection of Temporary Structure in Vacant Government and Private Sites (Announced Projects)</b>		
The Hong Kong Council of Social Service	Private site at Nam Cheong Street, Sham Shui Po	89
	Government site at Yen Chow Street, Sham Shui Po	210
	Government site at Yip Shing Street, Kwai Chung	100
Yan Chai Hospital	Government site at Hoi Hing Road, Tsuen Wan	110

Lok Sin Tong	Government site at Song Wong Toi, To Kwa Wan	108
Society for Community Organization	Government site at Ying Wa Street, Cheung Sha Wan	132
<b>Conversion of Government and Privately-owned Premises (Announced Projects)</b>		
Lok Sin Tong	Lok Sin Tong Primary School, Kowloon City	50
Hong Kong Housing Society	Trackside Villas (Staff Quarters of MTRCL), Tai Po Kau	150
Society for Community Organization	Government premises at Victoria Road	11
<b>Anticipated Total No. of Units for Announced Projects :</b>		<b>960</b>

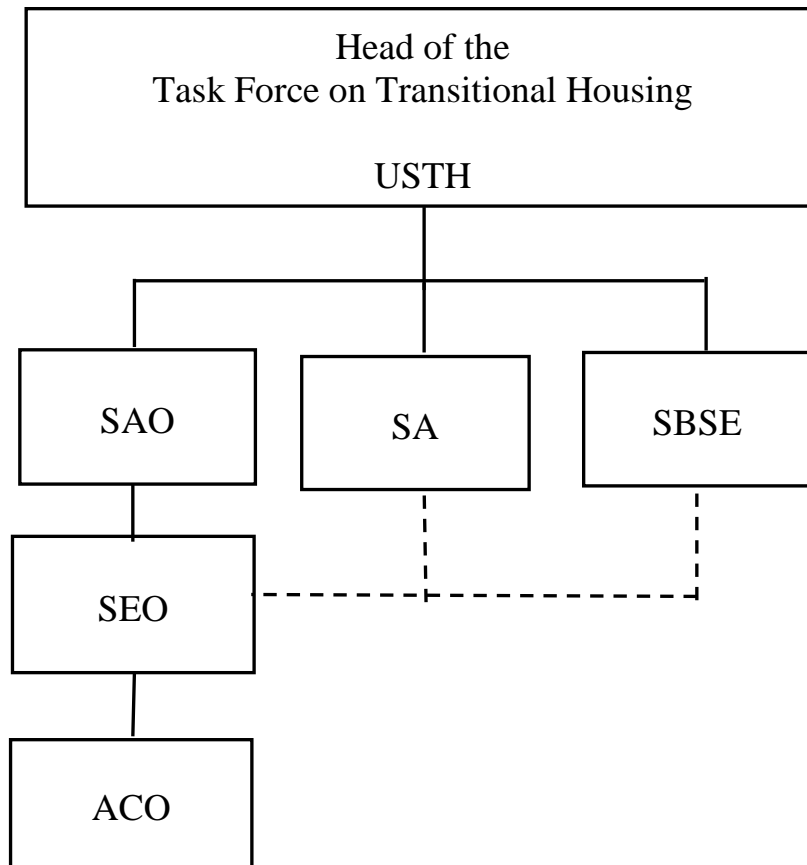
**Proposed Job Description  
Principal Assistant Secretary (Transitional Housing)**

**Rank** : Administrative Officer Staff Grade C (D2)

**Responsible to** : Under Secretary for the Transport and Housing

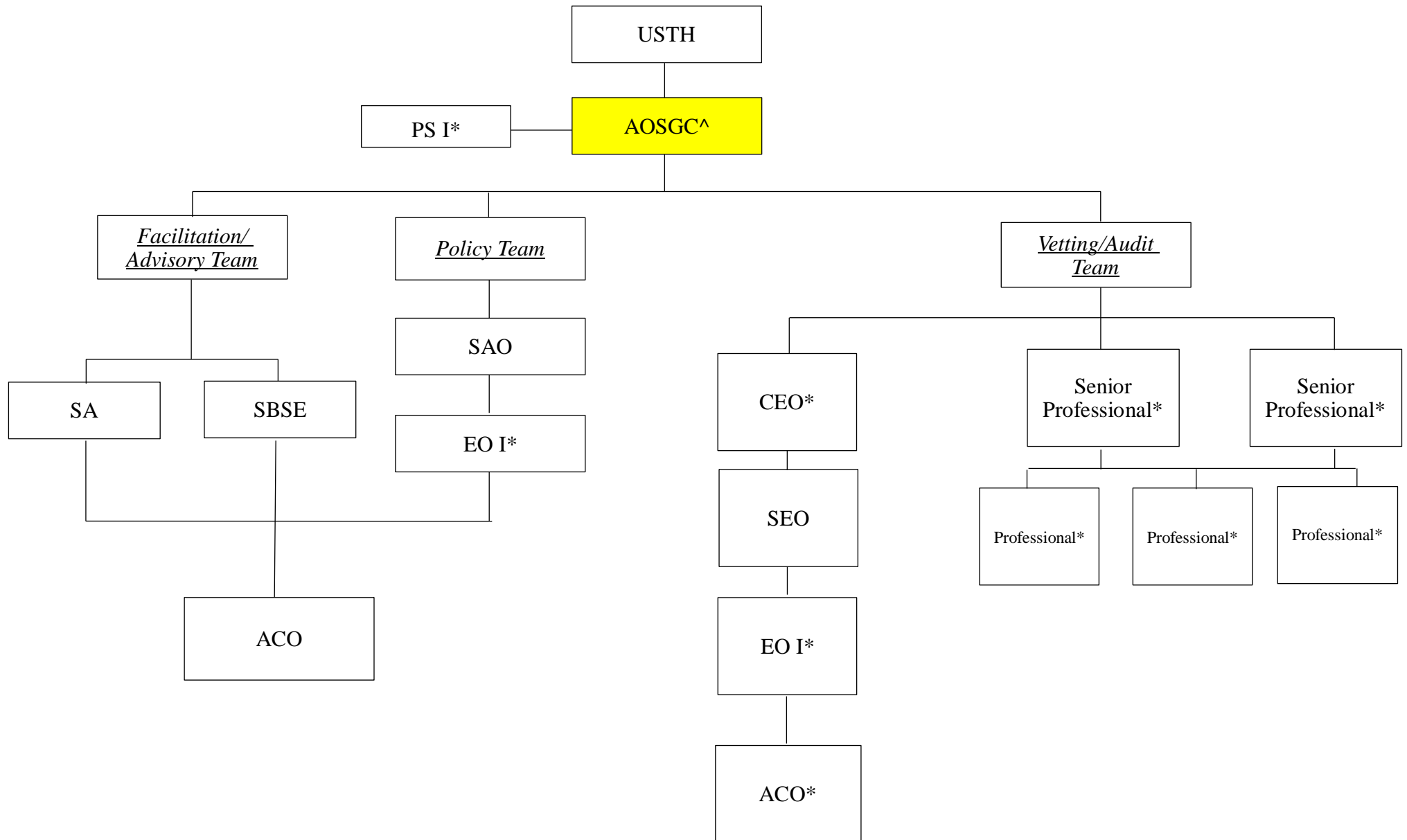
**Description of Main Duties –**

1. To oversee and steer the new initiatives on transitional housing for the implementation by the Senior Professionals.
2. To conduct policy analysis and formulate policy proposals on transitional housing.
3. To engage/consult relevant stakeholders in various fields to facilitate the new initiative on transitional housing.
4. To coordinate the consultation with and discussion at the Executive Council and Legislative Council, etc.
5. To oversee the establishment and operation of the funding scheme on transitional housing, including the Assessment Committee and its secretariat.
6. To take up the negotiation with high level officials/significant stakeholders to determine the framework of the transitional housing projects.
7. To examine the new initiatives, including the funding scheme, upon implementation and conduct review when necessary.

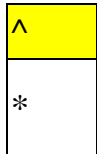
**Existing Organisation Chart of the Task Force on Transitional Housing**Legend

- USTH - Under Secretary for Transport and Housing
- SA - Senior Architect
- SBSE - Senior Building Services Engineer
- SAO - Senior Administrative Officer
- SEO - Senior Executive Officer
- ACO - Assistant Clerical Officer

# Proposed Organisation Chart of Task Force on Transitional Housing



- USTH - Under Secretary for Transport and Housing
- AOSGC - Administrative Officer Staff Grade C
- SAO - Senior Administrative Officer
- SA - Senior Architect
- SBSE - Senior Building Services Engineer
- CEO - Chief Executive Officer
- SEO - Senior Executive Officer
- EO I - Executive Officer I
- PS I - Personal Secretary I
- ACO - Assistant Clerical Officer



Supernumerary AOSGC post proposed for creation under the establishment of Housing Department

Non-directorate civil service posts will be created in 2020-21 under the establishment of Housing Department