

ITEM FOR FINANCE COMMITTEE

HEAD 62 – HOUSING DEPARTMENT

Subhead 700 General non-recurrent

Item 801 Funding Scheme to Support Transitional Housing Projects by Non-government Organisations

Members are invited to approve enhancements to the Funding Scheme to Support Transitional Housing Projects by Non-government Organisations.

PROBLEM

We need to enhance the Funding Scheme to Support Transitional Housing Projects by Non-government Organisations (Funding Scheme) to take forward more transitional housing projects.

PROPOSAL

2. The Secretary for Transport and Housing proposes that the Funding Scheme be enhanced by –

- (a) expanding its scope to cover the rent payment for conversion or use of private premises as transitional housing; and
- (b) increasing the funding ceiling for transitional housing developments on vacant land with site development constraints.

/JUSTIFICATION

JUSTIFICATION

3. To alleviate the hardship faced by individuals and families awaiting public rental housing (PRH) and inadequately housed households, the Transport and Housing Bureau (THB) launched the Funding Scheme in June 2020 to support Non-government Organisations (NGOs) to provide not-for-profit transitional housing projects on/in government or privately owned lands and premises. The existing funding scope covers a wide array of works required to make fit the potential sites or premises for the transitional housing projects. Examples include basic and essential construction, restoration and/or repair works required to make the site or premises fit for the proposed use, and consultancy services, project management, administrative work, removal work and insurance. The total financial subsidy should not exceed \$200,000 for each transitional housing unit for projects situated in a vacant residential building; and \$550,000 for each transitional housing unit to be provided through erection of temporary structure on vacant land, and/or in a non-residential building.

4. With the Funding Scheme in operation for about one year, the Task Force on Transitional Housing (Task Force) under THB has collected some feedback from NGOs on the problems encountered. We note that in some cases, the conversion of existing private premises, such as industrial buildings, into transitional housing was not financially viable as the amount of rent to be received from tenants was not sufficient to fully cover the rent payable to the owners of the private premises. However, the existing funding scope does not cover rent payment. Furthermore, in a bid to expediting the rolling out of transitional housing projects and helping operators or owners of the participating hotels and guesthouses to overcome challenges arising from the coronavirus disease 2019 pandemic, we have launched the “Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing” (the Pilot Scheme) funded by the Community Care Fund (CCF) in April 2021, under which NGOs may use hotels and guesthouses for transitional housing projects. Details of the Pilot Scheme are at Enclosure. We anticipate that NGOs using hotels and guesthouses for transitional housing projects may encounter a similar problem on rent payment.

Encl.

5. On the other hand, as revealed in some approved projects as well as those under a feasibility study, substantial expenditure would often be required for the provision of extensive drainage facilities, rendering the projects marginally viable, or giving rise to funding gaps which NGOs have to fill by seeking additional funding sources. The current funding ceiling of \$550,000 for each transitional housing unit to be provided through erection of temporary structure on vacant land and/or in a non-residential building is insufficient to meet the need for the provision of extensive drainage facilities.

6. We consider it necessary to implement enhancement measures as detailed in paragraphs 7 to 12 below to provide further support to NGOs in taking forward transitional housing projects.

Proposed enhancement measures

(a) *Expanding the scope of the Funding Scheme to cover the rent payment for conversion or use of private premises as transitional housing*

7. With the problem about rent payment mentioned in paragraph 4 above, unless NGOs concerned could secure additional sources of funding or income to cover the shortfall, it is unlikely that such projects could get off the ground. Despite the fact that some owners of private premises are willing to contribute to the implementation of transitional housing projects by letting their premises at below market rent, the relatively low rent income received by NGOs may still not be sufficient to cover all the operating expenses relating to the transitional housing projects including rent payment. The situation is undesirable and may discourage NGOs from taking on such projects. We therefore propose to expand the scope of the Funding Scheme to cover the rent payment to owners of private premises for conversion or use of private premises as transitional housing.

8. The proposed expansion will also make eligible transitional housing projects making use of rooms in hotels and guesthouses, which generally do not involve works in making fit the premises per se, under the Funding Scheme. At present, these projects are funded by the Pilot Scheme under CCF. Subject to the responses from both NGOs as well as the hotels and guesthouses industries and upon the exhaustion of the funding from CCF, the Pilot Scheme will be carried forward under the Funding Scheme. The conditions and arrangements under the Pilot Scheme will be suitably adjusted for adoption under the Funding Scheme to allow new applications for use of rooms in hotels and guesthouses as transitional housing to be funded under the Funding Scheme.

9. The conversion or use of private premises, such as industrial buildings, hotels and guesthouses, may increase transitional housing supply in a relatively shorter period, through better utilisation of existing premises. We consider that the proposed expansion to cover rental payment to owners of private premises will enable more transitional housing projects to materialise and enable us to overshoot the target of supplying 15 000 transitional housing units.

10. The current funding ceiling of \$200,000 for each transitional housing unit for conversion or use of domestic premises, including using suitable rooms in hotels and guesthouses as transitional housing, or \$550,000 for conversion of non-domestic premises, such as industrial buildings, as transitional housing, will remain unchanged after the proposed expansion. The Assessment Committee for the Funding Scheme (AC)¹ will continue to review the overall budget proposals of each application having regard to individual circumstances of the development. In the course of assessment, AC will ensure that the rent payable to the owners of the private premises is reasonable by making reference to relevant factors such as the previous rent level of the premises and the rent of similar premises in the vicinity.

(b) Increasing the funding ceiling for transitional housing developments on vacant land with site development constraints

11. Some transitional housing projects involve the construction on vacant land without public storm and/or foul water connection in the vicinity, thus requiring the provision of extensive drainage facilities such as on-site sewage treatment facilities, long pipes for storm or foul water connections outside site boundary, etc.

12. While we generally encourage and welcome NGOs to seek funding sources outside the Government for the provision of extensive drainage facilities as it would help garner community support for transitional housing projects, we are concerned that this would delay or even undermine the delivery of the projects. Providing additional financial subsidy for the extensive drainage facilities will enhance the financial viability of the projects and encourage NGOs to undertake projects with marginal viability, which is crucial for meeting the target of supplying 15 000 transitional housing units by 2022-23. We propose to provide an additional financial subsidy for the provision of extensive drainage facilities subject to a ceiling of \$15,000 per transitional housing unit on top of the existing funding ceiling of \$550,000 per unit. In other words, the funding ceiling will be increased to \$565,000 for each transitional housing unit provided through erection of temporary structure on vacant land without public storm and/or foul water connection in the vicinity. AC will review the overall budget proposal of each application. The actual amount of subsidy to be disbursed will be based on the actual construction cost of such drainage facilities.

/IMPLEMENTATION

¹ AC is composed of six non-official members and two official members from Housing Department and Social Welfare Department, with the Under Secretary for Transport and Housing (USTH) as the Chairman. Three of the six non-official members are the representatives of the Hong Kong Institution of Engineers, the Hong Kong Institute of Architects, and the Hong Kong Institute of Surveyors and the other three are representatives from urban planning, legal and accountancy industries respectively.

IMPLEMENTATION MECHANISM

13. USTH will be the approving authority for projects under the Funding Scheme. AC assists USTH in vetting applications and oversee the implementation of the Funding Scheme. AC will review the overall budget proposals, assess the technical and financial aspects of the applications and ensure that they are within the funding scope and ceiling. In particular, AC 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.

FINANCIAL IMPLICATIONS

14. We expect that the additional expenditure for implementing the proposed enhancements in meeting the target of providing 15 000 transitional housing units will not be significant and can be absorbed within the Funding Scheme's existing approved commitment of \$8.3 billion, including gainful use of savings from projects with funding requirements below the funding ceiling and contingencies. 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. For planning purpose, the estimated annual cash flow requirements are as follows –

Year	(\$ million)
Actual expenditure as at March 2021	3.5
2021-22	3,046.5
2022-23	3,550.0
2023-24	1,500.0
2024-25	200.0
Total	8,300.0

IMPLEMENTATION TIMETABLE

15. Subject to the approval of the Finance Committee (FC), the proposed enhancements will be applied to applications received on or after the date of FC approval.

/PUBLIC

PUBLIC CONSULTATION

16. We consulted the Legislative Council Panel on Housing on 5 May 2021. Most Members supported the submission of the proposal as set out in paragraph 2 above to FC for consideration.

17. On 26 May 2021, THB submitted detailed written response to the Panel² to supplement that although some owners of the private premises may only charge nominal rent, some may still need to charge NGOs a rent below market rate for the use of their properties to cover their various expenditures on the premises. Under the existing arrangement of the Funding Scheme, rent payable to property owners can only be met by the income of the project but not the subsidy under the Funding Scheme. The proposal to expand the scope of the Funding Scheme to cover the rent payment for use of private premises as transitional housing will help address the problem and better enable NGOs to take on projects requiring such rental payment.

18. NGOs in general welcome the proposed enhancements to the Funding Scheme, which could encourage more NGOs to take forward transitional housing projects involving rent payment to owners of the private premises and provision of extensive drainage facilities.

BACKGROUND

19. Facilitation of the provision of transitional housing is one of the six new housing initiatives announced by the Chief Executive on 29 June 2018. The Task Force under THB has been actively spearheading and collaborating with NGOs on various initiatives proposed and implemented by them with a view to increasing the supply of transitional housing to alleviate the hardship faced by families living in inadequate housing while waiting for PRH for a long time. FC approved a funding allocation of \$5 billion on 6 March 2020 to set up the Funding Scheme³ to facilitate NGOs to take forward transitional housing projects. With the enactment of the Appropriation Bill 2021, approval has also been obtained for an injection of \$3.3 billion to the Funding Scheme to meet the three-year target of providing 15 000 transitional housing units by 2022-23.

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² LC Paper No. CB(1)953/20-21(01) refers.

³ FC Paper No. FCR(2019-20)45 refers.

20. As at mid May 2021, the Task Force has identified land for the provision of about 14 000 transitional housing units by 2022-23. Of the 14 000 units, over 1 300 have been completed, about 2 300 units are under construction and scheduled for completion in 2022, 9 900 units with various pre-construction work, including planning and/or design review, have started and a potential of 450 units are under in-depth feasibility study. We have also looked into various alternatives such as making use of rooms in hotels and guesthouses as transitional housing with a view to meeting the target soonest.

Transport and Housing Bureau
May 2021

Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing (Pilot Scheme)

The Chief Executive announced in the 2020 Policy Address that in view that many hotels and guesthouses were facing the crisis of closing down amid the coronavirus disease 2019 pandemic, the Government would implement a pilot scheme to subsidise the non-government organisations (NGOs) to use suitable rooms in hotels and guesthouses with relatively low occupancy rates as transitional housing.

2. The Transport and Housing Bureau (THB) sought the approval from the Commission of Poverty for funding of \$95 million from the Community Care Fund (CCF) to facilitate launching the “Pilot Scheme”. The Pilot Scheme launched in April 2021.

3. It is estimated that the Pilot Scheme could support the provision of some 800 transitional housing units. The Task Force on Transitional Housing has briefed the hotels and guesthouses industries and NGOs on the Pilot Scheme, and is processing registrations from interested hotels and guesthouses and applications from NGOs.

4. Under the Pilot Scheme, THB will compile a list of participating hotels and guesthouses subject to their application and a basic checking of their qualifications, such as validity of licence, conformity with the Lease Conditions and the Deed of Mutual Covenant. Interested NGOs can then select suitable premises from the list, conduct inspections, formulate budget proposals and submit funding applications to THB. NGOs will rely on the subsidy from the Pilot Scheme and the rents collected from the transitional housing tenants as their major sources of income to pay off the rent committed to the hotel and guesthouse owners and their own administrative expenses¹. The tenancy period of these rooms should not be shorter than two years. Eligibility of the prospective tenants shall broadly be the same as other types of transitional housing. THB has briefed the Panel on Housing Subcommittee on Issues Relating to Transitional Housing and Subdivided Units on the details of the Pilot Scheme on 25 February 2021².

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¹ Administrative expenses include those for tenant recruitment, tenancy management, related social services to tenants, auditing fees and other operating costs.

² LC Paper No. CB(1)601/20-21(01) refers.

5. As at May 2021, proposals for about 200 transitional housing units under the Pilot Scheme have been received and are being processed. THB will consider NGOs' funding applications in accordance with the established assessment mechanism. It is estimated that a total of \$30 million would be committed for providing about 200 transitional housing units under the Pilot Scheme in the third quarter of 2021.
