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Panel on Home Affairs

Updated background brief prepared by the Legislative Council Secretariat for the meeting on 11 January 2021

Youth Hostel Scheme

Purpose

This paper provides background information on the Youth Hostel Scheme ("YHS"), and summarizes the major concerns expressed by the Panel on Home Affairs ("the Panel") in its past discussion on the capital works projects relating to youth hostels.

Background

Youth Hostel Scheme

2. The Government announced YHS in the 2011-2012 Policy Address with the aims to (a) unleash the potential of underutilized sites held by non-governmental organizations ("NGOs"); (b) meet the aspirations of some working youths in having their own living spaces; and (c) enable the young tenants to accumulate savings to pursue their medium term aspirations. Under YHS, NGOs will be fully funded by the Government to construct youth hostels on sites that are in their hands. In turn, NGOs should set the rental at a level which does not exceed 60% of the market rent of flats with similar size in the nearby areas.

3. The target tenants of YHS are working youths (including self-employed) who are Hong Kong permanent residents aged 18 to 30. The income level of a one-person household applicant should not exceed the 75th percentile of the monthly earnings of employed persons aged 18 – 30 (\$21,000 in 2018), and the household income level of a two-person household applicant should not exceed twice the level of a one-person household. The total net asset limits of a one-person household and a two-person household should not exceed

\$364,000 and \$728,000 respectively (as at December 2019). In addition, the applicant shall not own solely or jointly any residential property in Hong Kong, or hold any residential property in Hong Kong through a company. For further information on the youth hostel policy, members may refer to the Administration's information paper (LC Paper No. CB(2)745/15-16(01)) provided in January 2016. Members may wish to note that the Chief Executive announced in her 2019 Policy Address that the Government would relax the prevailing requirement to allow YHS tenants to submit/retain their applications for public rental housing and continue to accumulate points under the Quota and Points System.

Progress of implementation

4. During the examination of the draft Estimates of Expenditure 2019-2020 by the Finance Committee, the Administration advised that six projects under YHS were under planning, providing a total of around 2 800 youth hostel places. Among these projects, the ones by the Hong Kong Federation of Youth Groups ("HKFYG") in Tai Po and Po Leung Kuk ("PLK") in Yuen Long had commenced construction works and were scheduled for completion in the third quarter of 2019 and 2021 respectively.¹ In addition, the detailed design of the projects by the Tung Wah Group of Hospitals ("TWGH") in Sheung Wan and by the Hong Kong Girl Guides Association ("HKGGA") in Jordan was being conducted. As for the Hong Kong Association of Youth Development's project in Mong Kok and the Hong Kong Sheng Kung Hui Welfare Council Limited's project in Yuen Long, the technical feasibility studies were close to completion and the detailed design would commence soon afterwards.

5. The Chief Executive announced in her 2019 Policy Address that the Government would launch a new project in Wan Chai to be undertaken by the Salvation Army, which would provide around 510 places upon completion.

Panel's discussion

6. At the meetings on 22 December 2015 and 22 January 2018, the Administration consulted members on the pre-construction and construction works by PLK for the youth hostel project in Ma Tin Pok in Yuen Long respectively. At the meeting on 24 March 2016, the Administration consulted members on the the proposed capital works project for HKFYG to construct a youth hostel in Tai Po. The major concerns expressed by members are set out below.

¹ The YHS project by HKFYG in Tai Po was open for applications in December 2019 and started its intake of tenants at the end of March 2020.

Eligibility criteria

7. Some members were of the view that to ensure fair allocation of public resources and to facilitate the turnover of hostel units, the tenants should be required to undergo income and asset limit tests not only at the time of application, but also upon renewal of tenancy. The Administration explained that many young tenants should be developing their career and their income would likely increase during the tenancy period. Given that there was an upper limit to the tenancy period, the young people should be allowed to fully utilize their increased income during their tenancies to accumulate savings to prepare for their future developments. The Administration considered that the tenants should not be subject to the income and asset limit test again when applying for renewal of tenancy.

8. Members noted that the double units of the youth hostel would be open to application by two-person households (e.g. married couples, relatives and friends). Some members considered that YHS should target at singletons for the sake of simplicity of operation and ease of management. The Administration explained that YHS was launched with a view to meeting the aspirations of working youths in having their own living space. Any young person who met the eligibility criteria could apply irrespective of their marital status.

Rental level and disposal of surplus from hostel operation

9. During discussion of the HKFYG's project on 24 March 2016, some members stressed that the rental level of youth hostel units should be affordable to low-income youth and expressed concern whether the rental level would be driven up by increases in the management cost. The representative of HKFYG advised that the rental already included management fees but tenants would be required to pay water charges for their individual hostel units. Based on the current rental level for flats of similar sizes in the nearby area in 2015, the rental level for a single hostel unit would be approximately \$2,300 per month for the HKFYG's project. For the youth hostel development by PLK in Yuen Long, members noted that the rental level for a single unit would be set at slightly over \$2,000 for a single hostel unit, and around \$3,000 for a double unit (inclusive of management fees).

10. Some members expressed concern about the disposal of the surplus from the hostel operation and suggested that the NGOs should be required to allocate a certain percentage of the surplus from the hostel operation to cover the maintenance cost of the hostel. They also enquired whether the Administration would monitor the salaries of hostel management staff, and

the income and expenses of the hostel in future.

11. The Administration advised that under YHS, all participating NGOs would be required to meet the maintenance costs for the hostels concerned, and a mechanism would be put in place to monitor the income and expenses of the hostels. The Administration further explained that to ensure that each youth hostel was developed and operated in accordance with the policy objectives, NGOs would be governed by a Grant and Operation Agreement ("GOA") and land leases. GOA would set out the parameters under which NGOs would manage and maintain the youth hostels. For example, NGOs would be required to establish a mandatory reserve at a level sufficient to cover the maintenance cost for the hostels during the lease term. NGOs would have to seek prior approval from the Secretary for Home Affairs if they wished to transfer some of the extra operating surplus, after fulfilling the mandatory reserve requirement, to support other non-profitable services. At the Panel's request, the Administration provided details of the GOA signed between the Government and PLK in relation to PLK's youth hostel project in Yuen Long in April 2018 (**Appendix I**).

Programme organized for tenants

12. Members noted that both PLK and HKFYG planned to provide programme and activities to the youth hostel tenants. While some members expressed support for provision of such programme which, in their view, would be beneficial to tenants' personal growth and enhance their social life, some other members expressed reservations about the need given that tenants were all working adults and it might unnecessarily add to the operating cost. The Administration advised that participating NGOs might, according to their vision and mission, freely decide whether to provide extra youth development services as well as the content of such services. Moreover, tenants' participation in such programme would be on a voluntary basis.

Transport arrangement of the youth hostel developed by Po Leung Kuk

13. Some members enquired about the transport arrangement of the youth hostel to be developed by PLK in Ma Tin Pok in Yuen Long. The representative of PLK advised that consideration would be given to providing shuttle services for tenants during peak hours in the morning and in the evening. While car parking spaces would be mainly reserved for visitors and staff of the hostel, there would be over 80 bicycle and motorcycle parking spaces for use by the tenants.

Recent development

14. The Administration will consult the Panel on the funding proposals for the construction works of youth hostel projects by HKGGA and TWGH at the next meeting on 11 January 2021.

Relevant papers

15. A list of the relevant papers available on the Legislative Council's website is in **Appendix II**.

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6 January 2021

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9 April 2018

Ms Joanne MAK
Clerk to Panel on Home Affairs
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Mak,

**Legislative Council
Panel on Home Affairs**

**Youth Hostel Scheme (YHS) – Construction works by Po Leung Kuk
(PLK) for the youth hostel project in Ma Tin Pok, Yuen Long**

During discussion of the captioned subject at the meeting of the Panel on Home Affairs of the Legislative Council (LegCo) on 22 January 2018, Members requested supplementary information on the progress of five other YHS projects under planning/construction, as well as details of the Grant and Operation Agreement to be signed between the Government and PLK. I am now writing to provide the required information, as follows.

Progress of youth hostel projects

2. Apart from the PLK project, five other youth hostel projects are currently under planning. The progress of the projects is summarised as follows –

- (a) **The Hong Kong Federation of Youth Groups (Tai Po):** Apart from a youth hostel, the proposed complex will include a youth centre, the construction of which will be funded by the Lotteries Fund. Funding approval for the main construction works was granted by the LegCo Finance Committee on 3 June 2016. The hostel is expected to be completed by the first half of 2019.
- (b) **Tung Wah Group of Hospitals (TWGHs) (Sheung Wan):** The project's technical feasibility statement (TFS) has been completed and approved by the Government. As the site is next to Man Mo Temple, a declared monument, the Antiquities Advisory Board has been consulted and it has endorsed the project, including its design. The TWGHs is undertaking the relevant town planning procedures and will commence detailed design once approval from the Town Planning Board is secured.
- (c) **The Hong Kong Girl Guides Association (HKGGA) (Jordan):** Apart from the provision of a youth hostel, the proposed complex will house the new headquarters of the HKGGA, the construction cost of which will be financed by the association itself. The project's TFS was completed and approved by the Government. The Yau Tsim Mong District Council was consulted and members showed strong support for the project. HKGGA will commence pre-construction works after securing funding approval.
- (d) **The Hong Kong Association of Youth Development (HKAYD) (Mong Kok):** The HKAYD consulted the Yau Tsim Mong District Council and received support for the project. Meanwhile, the HKAYD is preparing the project's TFS.
- (e) **Hong Kong Sheng Kung Hui Welfare Council Limited (SKH) (Yuen Long):** A site in Yuen Long was donated by a private

developer for SKH to construct a Social Service Building containing a youth hostel and other social welfare facilities. SKH is conducting the project's TFS.

Grant and Operation Agreement

3. Under the YHS, to ensure that its youth hostel is developed and operated in accordance with the policy objectives of the scheme, the operating agency (i.e. PLK in the present project) will be governed by a Grant and Operation Agreement (GOA) and the land lease. If PLK fails to operate the youth hostel in accordance with the GOA and land lease, the Government has the right to re-enter the site and take possession of the entire building. The Government and PLK will sign the GOA before commencement of the main construction works. Key features to be included in the GOA are summarised as follows –

Rental level and tenancy period

4. PLK shall charge a rent not exceeding 60% of the market rent for comparable flats in the nearby area. The reference market rental level will be approved by the Government. The rent shall cover all on-going costs required in managing, operating and maintaining the hostels, but PLK may additionally charge for electricity and water consumed within each youth hostel unit. Each tenancy period shall be no less than two years and can be renewed for an aggregate of no more than five years.

General eligibility criteria of target tenants

5. The target tenants must be working youth (including those who are self-employed) who are Hong Kong permanent residents aged 18 to 30.

Income and asset limits

6. The income level of a one-person applicant shall not exceed the 75th percentile (\$20,000 in 2017) of the monthly employment earnings of

employed persons aged 18 to 30, while the total income of a two-person applicant shall not exceed twice the level of a one-person applicant. The relevant income levels are determined in accordance with the latest statistics published by the Census and Statistics Department. The total net asset of a one-person and two-person applicant shall not exceed HK\$350,000 and HK\$700,000 respectively. Regular adjustments to the asset limits will be made according to the appropriate consumer price indices. Tenants shall be subject to income and asset limit tests only at the time of application but not during a tenancy renewal.

Property ownership

7. Tenants shall not solely or jointly own any domestic properties in Hong Kong or hold any domestic properties in Hong Kong in the name of a company. Each tenant shall undertake that if he or she subsequently becomes the owner of a domestic property, he or she shall declare the interest immediately to PLK. In this case, PLK shall give the tenant reasonable time to move out of the youth hostel unit.

Eligibility criteria regarding public housing

8. For those who are applicants of public rental housing (PRH), upon allocation of youth hostel units, the following arrangements will be made –

- (a) Non-elderly one-person applicants for PRH – upon acceptance of the tenancy offered by a youth hostel, the hostel tenants must withdraw their applications from the PRH Waiting List and may not re-apply for PRH throughout their tenancies in the hostels;
- (b) Two-person household applicants for PRH who are both allocated youth hostel units – having both accepted a tenancy offered by a youth hostel, the hostel tenants must withdraw their applications from the PRH Waiting List and may not re-apply for PRH throughout their tenancies in the hostels;
- (c) A member of a family applying for PRH – a PRH family application made by the family of a hostel applicant will not be

affected by the applicant's decision to accept the tenancy offered by a youth hostel¹. If an applicant is admitted to a youth hostel by the time his or her family is allocated a PRH flat, he or she must notify the Housing Department (HD). He or she will be regarded as taking "temporary absence" from the PRH, as with those who take up employment or receive medical treatment outside Hong Kong. Meanwhile, the income of the youth hostel tenants concerned will be subject to the requirement of income and assets declarations under the "Well-off Tenants Policy".

9. Hostel tenants may continue to apply for subsidised sale flats, but in case a tenant acquires ownership of a domestic property (including a subsidised sale flat) in Hong Kong, he or she must immediately declare the interest to PLK and move out within a reasonable amount of time. Those who have been living in Home Ownership Scheme flats are not required to notify the HD of their youth hostel tenancy.

Use of operating surplus from hostel operations

10. PLK should set up a mandatory reserve with the hostel's operating surplus, at a level sufficient to cover the cost of maintenance for the hostel during the lease term. In the event PLK would like to deploy any operating surplus from the mandatory reserve to support their other worthwhile services for the benefit of the community, prior approval from the Secretary for Home Affairs (SHA) shall be required. SHA shall have the final discretion to reject any requests from PLK to deploy surplus for other uses.

Other operating conditions

11. PLK will be required to submit an operation plan for SHA's approval prior to the commencement of operation of the youth hostel. The operation plan shall be published online for public information.

¹ This arrangement ensures that a youth hostel applicant's decision to experience independent living will not affect his or her family's PRH application, thus causing family disputes.

12. PLK will be required to submit to the Government an annual report, including financial statements vetted by an auditor, an overview of the hostel operation and any deployment of operating surplus to other uses over the past financial year. Such information will be published online for public information.

13. Thank you for Members' interest in the youth hostel policy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sammy Leung', with a stylized, cursive script.

(Sammy Leung)
for Secretary for Home Affairs

c.c.

Financial Services and the Treasury Bureau (Attn.: Ms Margaret Hsia)

Fax: 2523 5722

Appendix II

Relevant papers on Youth Hostel Scheme

Committee	Date of meeting	Paper
Panel on Home Affairs ("HA Panel")	15.11.2011 (Item IV)	Agenda Minutes
	18.2.2013 (Item VI)	Agenda Minutes
	22.12.2015 (Item III)	Agenda Minutes
Legislative Council	24.2.2016	Official Record of Proceedings Pages 90 to 95
HA Panel	24.3.2016 (Item V)	Agenda Minutes
	22.1.2018 (Item IV)	Agenda Minutes
Finance Committee	10.4.2019	Agenda Report on the examination of the Estimates of Expenditure 2019-2020
HA Panel	4.11.2019 (Item I)	Agenda Minutes
	-- (issued on 16.12.2020)	Paper provided by the Home Affairs Bureau on the relevant policy initiatives in the Chief Executive's 2020 Policy Address (LC Paper No. CB(2)537/20-21(01))