

**For discussion
on 25 February 2021**

**Legislative Council Panel on Housing
Subcommittee on Issues Relating to Transitional Housing
and Subdivided Units**

Use of Hotels and Guesthouses as Transitional Housing

Purpose

This paper sets out the arrangements for the pilot scheme to subsidise the provision of Transitional Housing through Non-governmental Organisations using rooms in Hotels and Guesthouses.

Background

2. In view of the strong demands for the provision of transitional housing for those waiting for Public Rental Housing (PRH) for some time and living in inadequate housing and the fact that many hotels and guesthouses are operating under an extremely difficult business environment amid the COVID-19 pandemic, the Chief Executive announced in the 2020 Policy Address that the Government will implement a pilot scheme to subsidise the provision of transitional housing for needy families through Non-governmental Organisations (NGOs)¹ using suitable rooms in hotels and guesthouses with relatively low occupancy rates (the Pilot Scheme).

3. The Transport and Housing Bureau (THB) had consulted the relevant stakeholders including the representatives from the hotels and guesthouses industry (including owners, operators and practitioners) and prospective NGOs interested in implementing this new initiative. It is encouraging to learn that some of them have shown keen interest in pursuing the initiative.

4. Since the new initiative of subsidising the provision of transitional housing using suitable rooms in hotels and guesthouses is outside the scope of the

¹ The NGO should meet the requirement of:

- a. It should be a charitable institution or trust of a public character exempt from tax under section 88 of the Inland Revenue Ordinance (Cap. 112), or 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; or
- b. It should take the form of a social enterprise.

Legislative Council (LegCo)’s approval for the existing “Funding Scheme to Support Transitional Housing Projects by NGOs” (the Funding Scheme), THB is seeking the approval from Commission of Poverty (CoP) for funding of \$95 million from the Community Care Fund (CCF) to facilitate launching the Pilot Scheme as soon as possible.

Details of The Pilot Scheme

5. With the views and opinions gathered, we have put together a proposal for launching the Pilot Scheme with details outlined below.

(a) Objectives

- i. The Pilot Scheme is to achieve the dual purposes of increasing the supply of transitional housing whilst helping the hotels and guesthouses industry to tide over the severe market situation.
- ii. To avoid interrupting the license of the participating hotels and guesthouses, no substantial addition and alteration works will be involved.
- iii. It is anticipated that the intake of transitional housing tenants can start as early as the first half of 2021.

(b) Details of Operation

- i. THB will compile a list of participating hotels and guesthouses subject to their application and a simplified checking of their basic qualifications².
- ii. Interested NGOs can then select suitable premises from the list, conduct inspections as necessary and discuss on the contract terms.
- iii. The NGOs submit proposals to THB after they have reached equitable deals. THB will assist the NGOs at this juncture and in particular the formulation of their proposal for funding application.
- iv. THB will consider the funding applications with the granted amount to be assessed on individual merits with reference to the NGOs’ overall operation, including the proposed affordable rent level set by the NGOs, the condition of the proposed premises, justifiable administrative expenses³ of the NGOs, other expenditures, etc.

² The checking includes validity of the license, conformity with the Lease Conditions and the Deed of Mutual Covenant, etc.

³ The administrative fee includes those for tenant recruitment, tenancy management, related social services to tenants, auditing fees and other operating costs.

- v. The NGO will enter into the tenancy agreement with the hotels and guesthouses operators/owners once the subsidy agreement from THB has been sought.
- vi. Upon commencement of the projects, the NGOs shall be responsible for the tenancy management matters and provision of related social services for their residents.
- vii. the hotels and guesthouses operators/owners shall be responsible for the general maintenance and management of the premises with the role of both the license holder and the owner.
- viii. The NGOs will rely on the financial subsidy from the Pilot Scheme and the rents collected from the residents of transitional housing as their major source of income to pay off the rent committed to the hotels and guesthouses owners, their own administrative expenses and other expenditure.
- ix. Similar to the Funding Scheme, the NGOs are expected to set their tenant's rent at an affordable level.

Cost and Benefits

6. The cap of the funding per room will be set against the equivalent ceiling cost of providing a transitional housing unit by way of conversion of an existing domestic building under the Funding Scheme. The subsidy for each room will therefore be capped at \$133,500 for two years⁴.

7. Compared with other forms of transitional housing, the Pilot Scheme can increase the supply of transitional housing in a speedy manner without any need for reversion of building works. Potential beneficiaries of the Pilot Scheme are similar to those of other forms of transitional housing, i.e., they are households waiting for PRH for some time and living in inadequate housing.

Monitoring and Evaluation

8. Similar to the requirements in other transitional housing projects, the NGOs shall prepare and submit regular reports to cover the progress and spending

⁴ The current maximum subsidy of \$0.2 million for modification of residential flats used for transitional housing is taken as reference for each room of hotels and guesthouses. The operation period of the initial transitional housing projects are 3-4 years. Based on a shorter operation period of 3 years, the ceiling of subsidy for a two-year tenancy period is \$133,500 ($\$200,000 \div 3 \times 2 = \$133,500$). A contract period of two years is considered more appropriate as hotel/guesthouse owners and operators may not want to exit from their business for a prolonged period of time. This suggested contract period also aligns the normal practice in the private housing rental market.

for THB's scrutiny throughout the implementation of the Pilot Scheme. A proper set of books and records for their projects receiving funding support under the Pilot Scheme shall be kept and provided when necessary. They shall also be required to submit the audited final statement of account certified by independent auditors upon completion of the projects respectively.

Implementation

9. The Pilot Scheme will be formally launched once the approval from CoP in the first quarter of 2021 is obtained. Meanwhile, briefing to representatives from the hotels and guesthouses industry and prospective NGOs on the details of application will be conducted.

Advice Sought

10. Members are invited to note the contents of the paper.

Transport and Housing Bureau
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