

**For discussion
on 5 May 2021**

Legislative Council Panel on Housing

Expansion of the Scope of the Funding Scheme to Support Transitional Housing Projects by Non-government Organisations and Provision of Additional Subsidy to Projects with Special Constraint

PURPOSE

To facilitate non-government organisations (NGOs) to take forward transitional housing projects, this paper seeks Members' views on our following proposals concerning the Funding Scheme to Support Transitional Housing Projects by NGOs (Funding Scheme) –

- a) to expand the scope of the Funding Scheme to cover the rent payment for conversion or use of private premises as transitional housing; and
- b) to increase the funding ceiling for transitional housing developments on vacant land with site development constraint.

BACKGROUND

2. 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 on Transitional Housing (Task Force) under the Transport and Housing Bureau (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 public rental housing for a long time. The Legislative Council (LegCo) Financial Committee (FC) approved a funding allocation of \$5 billion on 6 March 2020 to set up the Funding Scheme¹ to facilitate NGOs to take forward transitional housing projects. The LegCo also approved an injection of \$3.3 billion to the Funding Scheme on 28 April 2021 to meet the three-year target of providing 15 000 transitional housing units by 2022-23.

¹ FC Paper No. FCR(2019-20)45 refers

3. As at early April 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 1 100 have been completed, about 2 400 units are under construction and scheduled for completion in 2021 to 2022, 9 800 units with various pre-construction work, including planning and/or design review, have started and a potential of 550 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. We have launched the “Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing” (the Pilot Scheme) to be funded by the Community Care Fund (CCF) in April 2021. Details of the Pilot Scheme is in **Annex**.

4. The objective of the Funding Scheme is to support 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 for each transitional housing unit, which include all the works required should not exceed \$0.2 million for each transitional housing unit for projects situated in vacant residential building and \$0.55 million for each transitional housing unit to be provided through erection of temporary structure on vacant land, and in non-residential building.

5. Since the launch of the Funding Scheme in June 2020, the Task Force has collected some feedback from the NGOs on the problems encountered. We note that in some cases, the conversion of existing private premises into transitional housing, such as industrial buildings, would not be financially viable as the amount of rent to be received from tenants may not be sufficient to fully cover the rent payable to the owners of the private premises. However, the existing scope of the Funding Scheme does not cover rent payment for conversion or use of private premises. Furthermore, with the Pilot Scheme running in parallel, we anticipate that NGOs using hotels and guesthouses for transitional housing projects may encounter similar problem. On the other hand, as revealed in some projects under feasibility study or approved under the Funding Scheme, substantial expenditures would often be required for the provision of extensive drainage facilities, rendering the projects marginally viable, or necessitating the NGOs to seek additional funding sources to fill the funding gap. The current funding ceiling of \$0.55 million for each transitional housing unit to be provided through erection of temporary structure on vacant land, and in non-residential building is considered not sufficient to meet the need. We consider it necessary to implement enhancement measures as detailed in paragraphs 6 to 10 below to support the NGOs to take forward transitional housing projects.

PROPOSALS

(a) Expansion of the Scope of the Funding Scheme to Provide Financial Subsidy to NGOs Covering the Rent Payment for Conversion or Use of Private Premises as Transitional Housing

6. With the problem about rent payment mentioned in paragraph 5 above, unless the concerned NGOs could secure additional sources of funding or income to cover the said rent payment, it is unlikely that these projects could get off the ground. The situation is undesirable and may discourage NGOs from taking on such kind of 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.

7. The proposed expansion will also make possible to cover transitional housing projects making use of rooms in hotels and guesthouses which is currently funded by the Pilot Scheme under CCF. Subject to the responses from both the NGOs as well as the hotels and guesthouses industries and 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 migrated under the Funding Scheme for continuity.

8. The proposed subsidy will be subject to the current funding ceiling of \$0.20 million for each transitional housing unit for conversion or use of domestic premises, including using suitable rooms in hotels and guesthouses as transitional housing, or \$0.55 million for conversion of non-domestic premises, such as industrial buildings, as transitional housing. The Assessment Committee (AC)² for the Funding Scheme will review the overall budget proposals in operating the projects submitted by NGOs on a case-by-case basis. It will also ensure that the rent payable to the owners of the private premises is reasonable by making reference to such relevant factors as the previous rent level of the premises and the rent of similar premises in the vicinity.

(b) Increase of the Funding Ceiling for the Transitional Housing Developments on Vacant Land with Site Development Constraint

9. There are projects involving construction of transitional housing units 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 and etc.

² 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 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.

10. While we generally encourage and welcome NGOs to seek funding sources outside the Government for the provision of extensive drainage facilities as it could help garner community support for the 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 could 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 \$0.55 million per unit, i.e. the funding ceiling will be increased to \$0.565 million for each transitional housing unit. AC will review the budget proposals and will provide financial subsidy based on the actual construction cost of the extensive drainage facilities.

FINANCIAL IMPLICATIONS

11. 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 existing Funding Scheme’s commitment of \$8.30 billion. The additional expenditure arising from subsidising the provision of extensive drainage facilities could be met by 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 requirement is 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 MECHANISM

12. AC for the Funding Scheme will assess the technical and financial aspects of the proposed projects 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.

13. AC will review from time to time the assessment criteria for the Funding Scheme in the light of experience gained and changing circumstances for implementation of transitional housing projects and where necessary, make adjustments on the parameters and refine the scope and ceiling of the Funding Scheme.

WAY FORWARD

14. We intend to seek approval for the proposed changes from FC tentatively in mid-2021 with a view to implementing these proposals with effect from the third quarter of 2021.

15. Subject to the approval of FC, the proposed changes for the Funding Scheme will only be applicable to funding applications received on or after the approval date.

ADVICE SOUGHT

16. Members are invited to provide comments on the above-mentioned proposals.

Transport and Housing Bureau
April 2021

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

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 COVID-19 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 to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing” (Pilot Scheme). The Pilot Scheme has 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 hotel and guesthouse industries and NGOs on the Pilot Scheme, and is processing registrations from interested hotels and guesthouses and applications received from NGOs.

4. Under the Pilot Scheme, THB will compile a list of participating hotels and guesthouses subject to their application and a simplified checking of their basic 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. The 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.

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 end April 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 \$25 million would be committed for providing about 200 transitional housing units under the Pilot Scheme in the first half of 2021.