

ITEM FOR FINANCE COMMITTEE

**HEAD 138 – GOVERNMENT SECRETARIAT:
DEVELOPMENT BUREAU
(PLANNING AND LANDS BRANCH)**

Subhead 700 General non-recurrent

**New Item “Funding Scheme to Support the Use of Vacant Government Sites
by Non-government Organisations”**

Members are invited to approve a new non-recurrent commitment of \$1 billion for the implementation of a funding scheme to support the use of vacant government sites by non-government organisations.

PROBLEM

We need to take a more proactive approach in facilitating the gainful use of vacant government sites (including vacant school premises on government land) by non-government organisations (NGOs), by providing them with financial support to take forward worthy projects on such sites available for short-term tenancy (STT) applications.

PROPOSAL

2. The Secretary for Development proposes the creation of a new non-recurrent commitment of \$1 billion for implementing a funding scheme to subsidise the costs of basic works of eligible projects to be pursued by NGOs on vacant government sites.

JUSTIFICATION

3. It is Government’s policy to make gainful use of our scarce land resources. Generally speaking, pending determination or implementation of a long-term use, the Lands Department (LandsD) puts such vacant sites under its management to temporary uses by government bureaux/departments. If there is no

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taker within Government, individual vacant sites may be made available for specific uses supported by relevant bureaux or departments through open tender (such as STT carparks). For sites with no temporary use identified by Government following the above process, LandsD would publish the site details online to invite tenancy applications by NGOs for community, institutional, or other non-profit-making use on a short-term basis, with provisions for renewal where appropriate. If an application is approved, nominal rent will be charged with policy support by a relevant bureau; in other cases full market rent will be charged¹.

4. As at 3 October 2018, a total of 853 vacant government sites under LandsD's management (including 21 vacant school premises on government land) are available for application. A breakdown of these available vacant sites by district, size and zoning, and a list of vacant school premises under LandsD's management are at Enclosure 1 and Enclosure 2 respectively. While some of these sites are in relatively remote locations with limited access, small in size, and/or of an odd configuration, others may possess some potential for short-term uses not involving massive capital works. However, some of the latter sites are subject to technical constraints, such as constraints posed by adjoining slopes, dilapidated building structures requiring substantial restoration and repair works, or inadequate infrastructural support. Currently, a prospective NGO tenant is expected to resolve these concerns and take up the costs of the capital works on its own, but the required efforts and financial commitment may be regarded by some to be disproportionate to the proposed non-profit-making uses or may go beyond some NGOs' financial and technical capability.

Encls. 1 & 2

Proposed Funding Scheme

5. The proposed funding scheme is premised on the following key directions –

- (a) an inclusive approach capitalising on “community wisdom” should be adopted. With this in mind, the funding would be open to all applications for use of available vacant government sites (including vacant school premises on government land) which have received at least in-principle approval by Government under the current mechanism. In other words, the funding would not be limited to specific community, institutional or other non-profit making uses pre-determined by Government;

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¹ A list of vacant government sites (including vacant school premises) under LandsD's management and available for tenancy application by NGOs for community, institutional, or non-profit-making purposes is published on LandsD's “GeoInfo Map” website (<http://www.map.gov.hk/gih3/index.jsp?tab=320&lg=en>). A total of 14 STTs were approved by LandsD in 2015-16, 2016-17 and 2017-18 for such uses, including a breast cancer support centre, sports development/training/activity venues, an organic farm, facilities for supporting community/rehabilitation/social services, and a village office. For all these cases, the STTs were granted at nominal rent with policy support.

- (b) the mechanism for submitting and approving funding applications should be kept simple, to minimise bureaucracy and facilitate the kick-starting of worthy projects as early as possible; and
- (c) apart from providing funding support, we should take the opportunity to encourage the contribution of expertise and experience by professionals in the development sector, and in so doing facilitate tripartite collaboration among Government, NGO-applicants and professional bodies in taking forward worthy causes.

Existing mechanism for handling applications for use of vacant government sites

6. The proposed funding scheme would not change, but would supplement, the current mechanism for handling applications for use of vacant government sites. At present, in relation to unleased and unallocated government sites including vacant school premises that are under LandsD's management and may be suitable for temporary uses by way of STTs², District Lands Offices of LandsD would, upon receipt of an application from an NGO, consult relevant bureau(x) or department(s) on the proposal under the existing mechanism. During the process, the applicant may need to provide supplementary information requested by the bureau(x) or department(s) to demonstrate the merits of the proposal. Depending on the circumstances, the applicant may also be required to address local concerns or other issues raised by bureau(x) and department(s). A prerequisite for the approval of an application is that policy support has been given by a relevant bureau whose portfolio oversees the provision of services related to the relevant community, institutional or other non-profit-making use being applied for. When more than one application for use of the same vacant government site (including vacant school premises) are received, and more than one application have received the requisite policy support, LandsD would escalate the case to the Development Bureau (Planning and Lands Branch) (DEVB(PLB)) for a steer³.

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² Under LandsD's current practice, STTs let by direct grant are normally granted for a fixed term of a duration ranging from one to five years (in some cases with policy justifications a longer term of up to seven years may be granted) and thereafter continue monthly or quarterly if the site concerned is not immediately required for permanent or other temporary uses. This provides flexibility for both the tenant and Government in respect of sites which have been/may be earmarked for long-term land uses. Similar considerations apply to STT applications involving vacant school premises under LandsD's management.

³ Such cases would be put before the Committee on Planning and Land Development, which is an existing inter-departmental committee chaired by the Secretary for Development to provide steer for resolving inter-bureau or inter-departmental issues about development and land supply.

7. Apart from those under LandsD's management, there are a small number of vacant sites managed by the Government Property Agency⁴ or other departments, and are available for use by NGOs by way of STTs or other tenancy arrangements. To optimise their use as far as possible, we would include these vacant sites for the purposes of the proposed funding scheme.

Eligibility for the proposed funding scheme

8. After an NGO has received in-principle approval from the relevant authorities for renting a vacant government site (including vacant school premises) under the existing mechanism (paragraphs 6 to 7 above), it may make an application for funding support under the proposed funding scheme if it meets the following criteria –

- (a) it is 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 Kong⁵; or
- (b) it takes the form of a social enterprise⁶ (SE).

Scope of financial support and its ceiling

9. The funding scheme would provide successful NGO-applicants with subsidies to support one-off, basic, and essential restoration works required to make the sites/premises fit for use. Such works may include, for example, slope upgrading works, site formation, erection of temporary structures (such as those

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⁴ A list of surplus government accommodation managed by relevant bureaux/departments that is available for application for direct leasing by NGOs is uploaded onto the website of the Government Property Agency (<https://www.gpa.gov.hk/english/let/let.html#boxes>).

⁵ In that case, the NGO must provide a certificate of its registration or establishment issued under the relevant Ordinance, and a certified copy of the relevant document specifying that it does not distribute profits to its members, directors, shareholders, employees or any other persons.

⁶ There is no statutory definition of SE in Hong Kong. In general, an 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 "Hot spots for consumptions at SEs" compiled by the Home Affairs Department (http://www.social-enterprises.gov.hk/en/hotspots/full_text.html), or the "Social Enterprise Directory" compiled by the Social Enterprise Business Centre (<https://socialenterprise.org.hk/en/sedb>).

using modular integrated construction methods), provision of sewerage/drainage, pedestrian/vehicular access, renovation of dilapidated premises, installation of fire safety equipment or barrier-free facilities, etc. The costs in relation to consultancy services commissioned to determine the technical feasibility or parameters of the proposed works⁷, as well as insurance policies covering any potential claims that may arise during surveys, investigations and renovation works, may also be covered.

10. Nevertheless, the funding scheme is not intended to cover the cost for interior fitting-out, furniture and equipment, and other operating or recurrent expenses (e.g. repair and maintenance) to be incurred in implementing the proposed short-term use on the vacant sites in question.

11. The funding to be allocated to each approved project would vary, depending on a number of site-specific factors, in particular the size of the site, existing conditions, technical requirements and the uses proposed. This notwithstanding, the financial subsidy for each approved project would at this stage be capped at \$60 million. The ceiling has been drawn up with reference to the costs of basic works for comparable projects in recent years to make gainful uses of various sites on government land for community, institutional or other non-profit-making initiatives. This would help strike a suitable balance between the objectives of enabling NGOs to make a number of vacant sites fit for use after implementing the proposed works of a manageable scale, and avoiding the new non-recurrent commitment being crowded out by a few big-ticket items.

Technical support

12. The restoration and repair works on the vacant sites or school premises should essentially be executed by consultants, professionals and/or contractors engaged by the relevant NGOs upon approval of the funding applications. Considering that some NGO-applicants may not be well versed or experienced in project planning and works management, we are discussing the arrangement for relevant professional institutes to nominate professionals willing

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⁷ The consultancy services may cover –

- (a) preliminary feasibility studies about the proposed restoration and repair works, or minor investigation or site survey;
- (b) detailed design;
- (c) submission of plans to the Buildings Department and other government departments concerned;
or
- (d) quantity surveying services, including tender documentation.

to provide support or advisory services for NGO-applicants, mainly on a *pro bono* basis, in preparing applications for the funding support and implementing approved projects (particularly at the initial stage). Responses by various professional institutes so far are very positive.

Assessment mechanism

13. DEVB(PLB) would chair an inter-departmental Assessment Committee to vet applications⁸ and oversee the implementation of the funding scheme. The Assessment Committee would draw upon representatives of relevant bureaux and departments as members.

14. As eligible applicants should have received in-principle approval for the proposed use of relevant vacant sites, the Assessment Committee would focus on the technical aspects of the proposed works to ensure that the works are within the scope and financial ceiling mentioned above. In particular, the Assessment Committee would 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 would also look into the experience and capability of applicants, and the timeframe required by them in implementing the projects.

Monitoring and Control

15. Apart from the STT governing the letting of the vacant government sites or vacant school premises, successful applicants would be required to sign a separate funding agreement with Government in respect of the implementation of the approved works on the relevant sites and premises. All approved projects would be monitored by the Secretariat to the Assessment Committee against the milestones stated in the funding agreement⁹. Each approved grant would be disbursed by installments, normally on a reimbursement basis, subject to the fulfillment of project milestones in the funding agreement and the verification of certified invoices or bills.

16. Successful applicants have to keep a proper set of books and records for their projects receiving funding support under the scheme. They would be required to submit regular progress reports and financial reports against the

/milestones

Encl. 3

⁸ A flow chart illustrating essential steps to go through in the application procedures is at Enclosure 3.

⁹ In the funding agreement, we would specify that the funding granted to each successful applicant will not impose any recurrent financial obligations on Government. The successful applicant should also procure appropriate insurance policies and indemnify Government against any claim that may arise during surveys, investigation and renovation works in accordance with the funding agreement.

milestones agreed in the funding agreement until completion of the project. They would also be required to submit audited statements certified by independent auditors upon completion of the project. A mechanism would be in place to suspend the disbursement of funding or even cease a project in case of unsatisfactory project progress or contravention of the funding guidelines. Government would also reserve the right to require the refund of the amounts already disbursed for a curtailed project.

17. To ensure transparency and accountability on the use of the grants under the funding scheme, DEVB(PLB) would submit an annual report on the approved applications and implementation progress of projects to the Legislative Council (LegCo) Panel on Development.

EXPECTED BENEFITS

18. The funding scheme represents Government's strengthened efforts in promoting the gainful use of vacant government land in support of a variety of socially beneficial initiatives (e.g. workshops promoting arts and culture, centres for youth development, social welfare and elderly facilities, support centres for ethnic minorities, support centres for animals, community farms, etc.). The exact number of sites to be utilised through implementation of this scheme, the sectors to be served and the number of beneficiaries will depend on the applications to be received and approved.

FINANCIAL IMPLICATIONS

19. The implementation of the funding scheme requires a non-recurrent funding of \$1 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. Purely for planning purpose, the estimated annual cash flow requirement is as follows –

2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)	2022-23 (\$'000)	2023-24 (\$'000)	Total (\$'000)
50,000	200,000	350,000	300,000	100,000	1,000,000

20. DEVB(PLB) has been earmarked with additional departmental resources to administer the funding scheme.

/IMPLEMENTATION

IMPLEMENTATION TIMETABLE

21. Interested NGOs may continue to apply for the use of suitable vacant government sites (including vacant school premises on government land) and the related grant of a STT under the existing mechanism (see paragraphs 6 to 7 above). Subject to Members' approval, we aim to launch the funding scheme as soon as possible. The scheme would be open to applications from NGOs which have secured approval or at least in-principle approval for the grant of STT on or after 28 February 2018 (the date on which the initiative was announced, in the context of the 2018-19 Budget) for the use of vacant government sites (including vacant school premises on government land) and where works have yet to commence.

PUBLIC CONSULTATION

22. We consulted the LegCo Panel on Development on 27 November 2018. Members were supportive of the proposal, including the three key directions mentioned in paragraph 5 above. They welcomed Government's suggestions for simplifying processes and rendering support for NGOs as flexibly as possible. They urged Government to launch the funding scheme as soon as possible, and in so doing help the NGOs overcome challenges of utilising vacant government sites and roll out in a timely manner a variety of projects benefiting the community.

BACKGROUND

23. On 28 February 2018, the Financial Secretary announced in the 2018-19 Budget that \$1 billion would be set aside to subsidise the costs of basic works of eligible projects for user organisations to make better use of vacant government sites and school premises.

Development Bureau
December 2018

**Vacant Government Sites (excluding Vacant School Premises)
Available for Application for
Greening or Government/Institution/Community Uses
(as at 3 October 2018)**

1. Geographical Distribution

District Council Constituencies (in alphabetical order)	No. of Sites
Central and Western	16
Eastern	7
Islands	44
Kowloon City	9
Kwai Tsing	47
Kwun Tong	5
North	175
Sai Kung	26
Sha Tin	57
Sham Shui Po	6
Southern	30
Tai Po	17
Tsuen Wan	59
Tuen Mun	89
Wan Chai	8
Wong Tai Sin	7
Yau Tsim Mong	2
Yuen Long	228
Total	832

2. Size

Site Area (sq. metre)	No. of Sites	% of the total no. of sites
≤ 100	172	21%
>100 ≤ 500	326	39%
>500 ≤ 1000	135	16%
>1000	199	24%
Total	832	100%

3. Zoning

Zone	No. of Sites
Green Belt	189
Village Type Development	137
Government, Institution or Community	80
Residential	79
Agriculture	73
Open Space	72
Others	202
Total	832

Enclosure 2 to FCR(2018-19)72

**Vacant School Premises Available for Application for Greening or
Government/Institution/Community Uses
(as at 3 October 2018)**

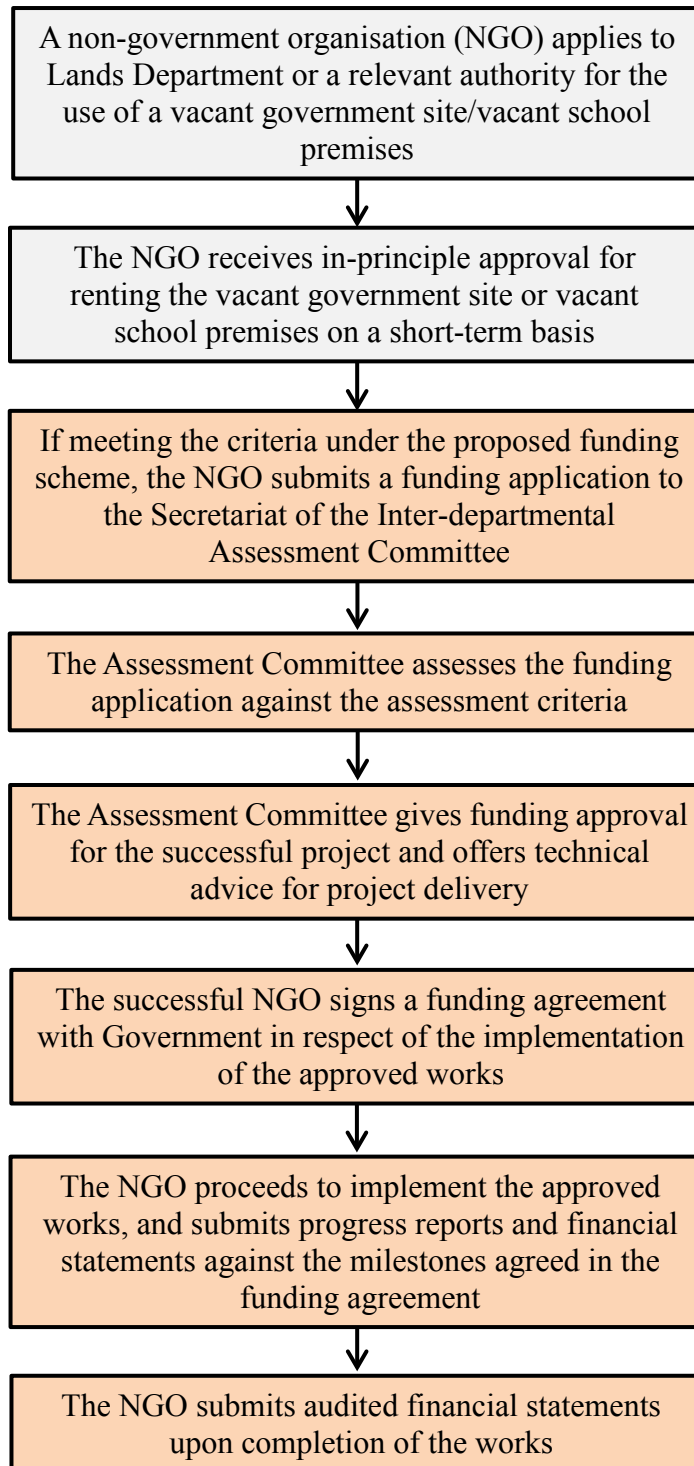
Item No.	Location	District	Area (sq. metre)	Zone	Enquiries
1	Former Nam Sun Primary School, Po Toi O, Sai Kung	Sai Kung	720	Village Type Development	District Lands Office, Sai Kung
2	Former Sui Ying School Tai Wan, Sai Kung	Sai Kung	1987	Conservation Area	District Lands Office, Sai Kung
3	Tai Mong Tsai Yan Yee Road Village School, Sai Kung	Sai Kung	1780	Village Type Development	District Lands Office, Sai Kung
4	Shan Mei Village (Former Tak Wah School)	Sha Tin	1570	No Zone	District Lands Office, Sha Tin
5	Lin Hoi School, Shek Lin Road, Shek Kwu Lung	Tai Po	1610	Green Belt	District Lands Office, Tai Po
6	Yuk Yin School, Kau Lung Hang, Tai Po	Tai Po	392	Government, Institution or Community	District Lands Office, Tai Po
7	Ko Lau Wan Fishermen's School Ko Lau Wan, Tai Po	Tai Po	922	Village Type Development	District Lands Office, Tai Po
8	Fish Marketing Organization Sam Mun Tsai New Village Primary School	Tai Po	874	Government, Institution or Community	District Lands Office, Tai Po

Item No.	Location	District	Area (sq. metre)	Zone	Enquiries
9	Ex-Kwan Ah School, Sheung Tam Shui Hang, Sha Tau Kok	North	1300	Government, Institution or Community	District Lands Office, North
10	Ex-Kwok Kwan Public School, Wu Kau Tang	North	1900	Village Type Development	District Lands Office, North
11	Former Peng Chau Shue Chun Public School, Nim Shue Wan Village, Lantau Island (near Discovery Bay)	Islands	530	Government, Institution or Community	District Lands Office, Islands
12	Former vacated school at Yi O San Tsuen, Yi O, Lantau	Islands	1090	Green Belt	District Lands Office, Islands
13	Former vacated school at Fan Lau, Lantau	Islands	54	Village Type Development	District Lands Office, Islands
14	Ex-Lo Wu Public School at Lo Wu Village, Ta Kwu Ling	North	2200	Government, Institution or Community	District Lands Office, North
15	Government Land at ex-Ha Tsuen Heung Pak Nai Public School in D.D.135, Ha Tsuen	Yuen Long	1620	Coastal Protection Area	District Lands Office, Yuen Long
16	Government Land at Ex-Ha Pak Nai Tsuen Public School in D.D.133, Ha Pak Nai, Ha Tsuen	Yuen Long	145	Agriculture	District Lands Office, Yuen Long

Item No.	Location	District	Area (sq. metre)	Zone	Enquiries
17	Government Land at Ex-Mong Tseng Public School in D.D.129, Ping Shan	Yuen Long	1540	Village Type Development	District Lands Office, Yuen Long
18	Government Land at Ex-Tai Shing Public School in D.D.129, Ping Shan	Yuen Long	706	Residential	District Lands Office, Yuen Long
19	Kwun Yam Shan (former school site)	Sha Tin	86	Conservation Area	District Lands Office, Sha Tin
20	Ex-Hing Sam School, Tai Kei Leng, D.D.116, Shap Pat Heung	Yuen Long	721	Open Space	District Lands Office, Yuen Long
21	Government Land at Ex-Lung Kai Public School, near Lot No. 869 RP in D.D. 96, Ma Cho Lung Road, San Tin	Yuen Long	1670	Government, Institution or Community	District Lands Office, Yuen Long

**Proposed Funding Scheme
to Support the Use of Vacant Government Sites**

Application Procedures



Funding will be disbursed by installments on a reimbursement basis.



For an application for use of vacant government sites under the existing mechanism



For an application for support under the proposed funding scheme