

# 立法會 *Legislative Council*

LC Paper No. CB(1)673/2023

Ref. : CB1/PS/1/22

## **Panel on Housing**

### **Report of the Subcommittee on Issues Relating to the Improvement of Living Conditions of the Grass-roots Tenants**

#### **Purpose**

This paper reports on the deliberations of the Subcommittee on Issues Relating to the Improvement of Living Conditions of the Grass-roots Tenants (“the Subcommittee”) formed under the Panel on Housing (“the Panel”).

#### **Background**

##### Transitional housing

2. It is estimated that there are 127 500 inadequately-housed households<sup>1</sup> in Hong Kong and according to the Hong Kong Housing Authority (“HA”)’s website, there were about 133 200 general applicants (i.e. family and elderly one-person applicants) for public rental housing (“PRH”) as at end-March 2023. The Government has been promoting the development of transitional housing in the past few years to alleviate the hardship faced by applicants waiting for PRH and those who are inadequately housed.

3. On 6 March 2020, the Legislative Council (“LegCo”) Finance Committee (“FC”) approved the allocation of \$5 billion to set up the Funding Scheme to Support Transitional Housing Projects by Non-government Organisations (“the Funding Scheme”) to support the implementation of transitional housing projects by non-government organisations (“NGOs”) for

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<sup>1</sup> Source: [Long Term Housing Strategy Annual Progress Report 2022](#)

providing an estimated number of 10 000 transitional housing units. Subsequently, with the approval by LegCo twice, the amount of funding commitment under the Funding Scheme has been increased to \$11.6 billion with the overall supply target increased to 20 000 units. In addition, the 2020 Policy Address launched the “Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing”, which seeks to provide about 800 transitional housing for needy families through NGOs using suitable rooms in hotels and guesthouses with relatively low occupancy rates.

4. Under the Funding Scheme, NGOs operating transitional housing projects should allocate not less than 80% of the units in a project to Category A tenants, i.e. persons who have waited for traditional PRH for not less than three years, and not more than 20% of units for Category B tenants (such as those who have yet to meet the requirement of waiting for PRH for three years or more, as well as those considered to be in urgent need of housing due to various reasons). NGOs can also apply for adjusting the allocation ratio between Category A and B tenants since November 2022 to better utilize available units to flexibly absorb more Category B tenants. The rent level of transitional housing projects is subject to principles laid down by the Government<sup>2</sup>. Currently, most NGOs set the rent level of their projects according to the latest rent subsidy under the Comprehensive Social Security Assistance Scheme, or not exceeding 25% of the household income of the families concerned. The tenancy term of transitional housing varies among projects operated by different NGOs.

5. Since the implementation of the Funding Scheme in June 2020, a total funding amount of about \$10.86 billion has been approved for 45 projects which provide more than 20 000 transitional housing units. As at end-April 2023, about 7 000 units have been put into service. It is expected that about 14 000 additional units will be coming on stream in the next two years.

6. To further address short-term public housing shortage, the Chief Executive announced in the 2022 Policy Address the introduction of the new Light Public Housing (“LPH”), with about 30 000 units to be built in the coming five years, i.e. from 2023-2024 to 2027-2028. On 17 March 2023, FC approved the funding of \$14.9 billion for building the first batch of four LPH projects providing 17 000 units.

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<sup>2</sup> The rent set by NGOs must be at a level which is lower than the market rent in the same district; and the ceiling of the rent should not exceed 30% of the prevailing PRH income limit for the corresponding household size.

### Implementation of tenancy control on subdivided units

7. Part IVA of the Landlord and Tenant (Consolidation) Ordinance (“the Ordinance”) which implements tenancy control on subdivided units (“SDUs”) came into force on 22 January 2022. The Ordinance aims to regulate SDU tenancies and provide protection to SDU tenants in various aspects, which include providing four-year security of tenure for tenants of “regulated tenancy” (first term of two years and second term of two years); restricting the rate of rent increase on tenancy renewal, which must not exceed the percentage change of the territory-wide rental index for all classes of private domestic properties compiled and published by the Rating and Valuation Department (“RVD”) during the relevant period, and is capped at 10%; and prohibiting landlords from overcharging tenants on utilities and services (such as water and electricity), etc.

8. In addition, the Ordinance requires that the landlord of a “regulated tenancy” must submit a completed Notice of Tenancy (“Form AR2”) to notify RVD the particulars of the tenancy, such as address, rent, tenancy period, etc., within 60 days after the term of the tenancy commenced. A landlord who refuses or neglects to comply with such requirement without reasonable excuse commits an offence.

9. Since the commencement of the Ordinance and up to 30 April 2023, RVD had processed a total of 15 263 Forms AR2. To implement the Ordinance more effectively and to provide better protection for SDU tenants, RVD points out that it has been actively pursuing enforcement actions by proactively identifying suspected offences relating to the Ordinance (e.g. visiting SDU households in various districts) and following up on complaint cases. RVD carries out in-depth investigation upon identifying a suspected offence case or receiving a complaint. Depending on the actual circumstances and having regard to the information and evidence collected, RVD will take appropriate actions on individual cases, including seeking legal advice from the Department of Justice and pursuing legal action. In addition, RVD has set up an enforcement and investigation task force (“the Task Force”) which is actively performing its duties, including following up on cases involving suspected breach of the provisions of the Ordinance and exploring ways to proactively identify suspected offence cases, with a view to enhancing enforcement and prosecution efficiency.

10. As at 30 April 2023, RVD had identified 1 643 cases of SDU landlords suspected of having contravened the Ordinance. Since the Ordinance came into force, three SDU landlords have been convicted for contravening the Ordinance and they were fined between \$2,000 to \$18,600.

### **The Subcommittee**

11. The Subcommittee was appointed by the Panel on 7 February 2022 to review the implementation of the Government's policies and measures to improve the living conditions of grass-roots tenants. The terms of reference and membership of the Subcommittee are set out in **Appendices 1** and **2**, respectively.

12. Under the chairmanship of Hon Vincent CHENG Wing-shun, the Subcommittee has held a total of six meetings since the commencement of its work in May 2022 and has invited written submissions from the public. The Subcommittee has received 19 submissions. A list of organizations/individuals which/who have given views to the Subcommittee is in **Appendix 3**. The Subcommittee also conducted two visits on 6 June 2022 and 9 August 2022, respectively, to transitional housing projects and families living in SDUs.

13. To facilitate the Subcommittee's discussion, the Research Office of the LegCo Secretariat has conducted research on measures to regulate the living conditions of low-income tenants in overseas places.<sup>3</sup>

### **Subcommittee's deliberations**

14. The Subcommittee has focused its work on the following areas:
- (a) implementation progress of transitional housing projects;
  - (b) implementation progress of tenancy control on SDUs;
  - (c) introducing initial rent for SDUs;
  - (d) regulating the living conditions of low-income tenants; and
  - (e) eradicating SDUs of poor quality.

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<sup>3</sup> See fact sheet [FS08/2022](#) issued on 24 October 2022.

## Implementation progress of transitional housing projects

### *Support for transitional housing projects*

15. The Subcommittee has been closely monitoring the implementation progress of transitional housing projects. Members are concerned that LPH, which mainly targets the same applicants as those for transitional housing but provides tenants with better facilities at a lower rent, would render transitional housing less attractive to applicants. Members suggest that the Administration should consider making use of the fund remaining under the Funding Scheme to increase the resources allocated to NGOs to expand the scope of services provided under their projects.

16. On these views of members, the Administration has advised that under Long Term Housing Strategy, only about one-third of the public housing units would be completed during the first five-year period (from 2023-2024 to 2027-2028), while the remaining two-thirds would be completed in the second five-year period (from 2028-2029 to 2032-2033). In other words, the supply of public housing could meet the demand in a decade's time. Both LPH and transitional housing, which respectively would provide about 30 000 units in the next five years and 20 000 units progressively in these two years, aim at filling the short-term gap between the supply of and demand for PRH during the first five-year period. At present, the Administration has no plan to use the Funding Scheme, which was established and approved by FC to cover the capital cost only, to provide the NGOs with additional resources in operating transitional housing projects. The Administration stresses that it treasures NGO's experience and capability in facility management and would invite them to tender for the operation and management of the LPH projects.

### *Optimizing housing resources under transitional housing and Light Public Housing*

17. Members have expressed concern about the occupancy rates<sup>4</sup> of transitional housing projects. In view of the difference in rent levels between

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<sup>4</sup> As of mid-February 2023, the occupancy rates of 7 of 19 operating transitional housing projects were below 80% (source: the Administration's [written replies](#) to Members' questions in relation to the session on housing of the special meeting of FC held on 14 April 2023 to examine the Estimates of Expenditure 2023-2024).

transitional housing and LPH units<sup>5</sup>, members consider that the Administration should at this stage conduct a full review on the operation and occupancy of transitional housing projects, with a view to assessing the effectiveness of, and mapping the way forward for, transitional housing projects and the various supporting funding schemes. Such review would also provide a useful and timely reference to LPH projects. The Administration should further step up publicity efforts for transitional housing projects, including arranging more guided tours for prospective applicants to view the completed units, thereby increasing the number of applications for and occupancy of transitional housing. Members have enquired about the application and allocation process of LPH.

18. The Administration has advised that for allocation of LPH units, HA would take the initiative to issue letters to all eligible applicants inviting them to apply for LPH. Since the LPH initiative is Government-led, the Housing Bureau (“HB”) would provide information about all LPH projects in an official webpage and the public could easily access information on all LPH projects in one go. Guided tours for transitional housing projects would continue to be arranged for prospective applicants, and the provision of transitional housing projects information at the HA Customer Service Centre in Lok Fu and Cash Allowance Office in Kwai Chung have also been arranged. The Administration would continue to step up publicity efforts for transitional housing projects in the future.

19. Regarding the difference in rent levels between transitional housing and LPH, the Administration has advised that most tenants of transitional housing were eligible to apply for subsidies under Cash Allowance Trial Scheme (“CATS”) to cover part of their rent. Taking into account the subsidies under CATS, the net rent paid by the transitional housing tenants would be similar to the rent of LPH units. As regards the occupancy rates of transitional housing projects, the Administration has advised that projects in urban areas or near public transport hubs are more popular, while the average occupancy of projects in rural areas varied among individual projects.

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<sup>5</sup> As of mid-February 2023, the average monthly rent of transitional housing units operated by different NGOs ranged from \$2,324 to \$5,589 (source: *ibid.*). Rents of LPH were initially estimated to range from \$570 to \$2,650 (source: LC Paper No. [CB\(1\)847/2022\(01\)](#)).

*Disseminating information and processing applications for transitional housing*

20. Noting that transitional housing projects are operated by over 30 different NGOs and many of the tenants living in inadequately-housed households, in particular SDUs, may not have easy access to relevant information and ways of applications, members have urged the Administration to establish a central, unified platform which provides the latest information on the occupancy, rent, overall supply, completion time, locations and unified application procedure of transitional housing units in both urban and rural areas. This will enable the NGOs operating transitional housing to reach out to their target tenants more effectively and greatly reduce the inconvenience of making applications by prospective applicants. Members therefore welcome the Administration's plan to launch a common application form to facilitate applications for transitional housing projects, and to establish the Central and Unified Platform for Transitional Housing ("the Unified Platform") to facilitate online application for transitional housing. Phase One of the Unified Platform will be launched in the fourth quarter of 2023. However, members consider that the Administration should expedite its implementation.

21. Members note that upon the launch of the Unified Platform by HB, the actual operation would require the cooperation of the operating organizations of the transitional housing projects. For example, the operating organizations need to process and vet applications in a timely manner so as to speed up the entire process. Members opine that the Administration should set key performance indicators ("KPIs") to evaluate the efficiency and effectiveness of the Unified Platform.

22. In response to members' suggestions, the Administration has advised that it has been exchanging views with the operating organizations on the operation of the Unified Platform, in particular the coordination and technical requirements of the system. In response to members' suggestions, the Administration initially plans to set the following KPIs: (i) the target processing time for each application is not to exceed one month from the receipt of the application by the operating organization via the Unified Platform to the completion of vetting. The KPI is that at least 90% of the applications should meet this target; and (ii) the operating organization is required to arrange the applicant to move in the unit within one month upon acceptance of flat allocation by an applicant. The KPI is that at least 80% of the successful applications should meet this target.

23. Members have also suggested that the Administration should make use of the Unified Platform which collected information on the applicants for transitional housing, to identify tenants of SDUs and conduct further surveys on their subsequent housing arrangements on expiry of transitional housing tenancy with a view to formulating necessary measures to assist tenants living in poor-quality SDUs to avoid transitional housing tenants' return to such SDUs.

24. The Administration has advised that it would proactively build up new functions for Phase Two of the Unified Platform, which would progressively incorporate other functions such as data collection and data analysis. HB would require the operating organizations to input relevant data of their projects (e.g. the occupancy of different units and the background of households) to the Unified Platform on a regular basis, with which HB would carry out statistical analysis of information in respect of transitional housing, including information on the background of the applicants.

#### Implementation progress of tenancy control on subdivided units

25. The Subcommittee has monitored the progress of the Administration in implementing the Ordinance and explored various ways to enhance tenancy control on SDUs.

#### *Targets in enforcement work*

26. Under the Ordinance, the landlord must, within 60 days after commencement of the term of a "regulated tenancy", submit a Form AR2 to notify RVD of the particulars of the tenancy. In view of the gap between the number of SDUs (over 100 000) and the enforcement work achieved by RVD as of 30 April 2023 (i.e. having processed 15 263 Forms AR2 and identified 1 643 cases suspected of having contravened the Ordinance, and in order to facilitate the setting of work targets, members have requested the Administration to provide the number of Forms AR2 that RVD anticipates to receive within the coming year and the target dates to complete processing the Forms AR2 so received.

27. The Administration has advised that it anticipates that the tenancies of SDUs, which exist among the 107 400 SDU households, will gradually become "regulated tenancies" under the Ordinance if the conditions are fulfilled. Submitting Form AR2 within the prescribed period is a statutory requirement. Apart from continuing to enhance the publicity, RVD has been strengthening its enforcement so that more SDU landlords will be aware of their legal



responsibilities and submit Forms AR2 to RVD as soon as possible. The Government will closely monitor the situation and take further action as appropriate.

*Reporting by tenants on landlords' contraventions*

28. Members cast doubt on whether the manpower of the Task Force is adequate to cope with its work considering the large number of SDU landlords. Members consider that SDU tenants are mostly reluctant to report to law enforcement authorities on landlords' suspected contraventions as they are often afraid of the landlord's retaliation by way of termination/non-renewal of tenancy. To encourage tenants to come forward and report non-compliance or suspected contraventions by their landlords, the Administration should consider providing assistance or incentives to SDU tenants, such as liaising with operating organizations of transitional housing projects to provide temporary accommodation to such tenants in case they are evicted by their landlords from their premises for having provided such information to the authorities.

29. The Administration has advised that the protection provided for SDU tenants under the Ordinance on security of tenure and rent control, etc. would remain intact even if they lodge a complaint to RVD against the landlord. It would be an offence resulting in fine and imprisonment if a landlord intentionally interferes with the peace or comfort of the tenant with an aim to cause the tenant to give up occupying the SDU. SDU tenants being harassed are encouraged to report to RVD immediately for follow-up actions. Alternatively, SDU tenants in dispute with their landlords on tenancy matters may also seek assistance from RVD through the mediatory services provided to resolve or mitigate their disputes. RVD would explain to both landlords and tenants their obligations and rights under the Ordinance. HB would explore closer collaboration with the Buildings Department ("BD") when BD conducts large-scale operations ("LSO") in respect of SDUs in target buildings, such as arranging operating organizations of transitional housing projects to encourage and assist the tenants to move out of the SDUs of poor quality and to facilitate BD's enforcement action under the LSO.

*Publicity of the Ordinance*

30. Members observe that after the Ordinance has come into operation, SDU tenants still face considerable hardships in their contractual relationship with the landlords. For example, SDU tenants are sometimes demanded by the landlords to bear the cost of having the tenancy agreement for a "regulated

tenancy” stamped, despite the stipulation in Schedule 7 of the Ordinance that the stamp duty on the tenancy agreement for a “regulated tenancy” is to be borne by the landlord solely. Members consider that the majority of SDU tenants are still unfamiliar with the protection provided for them under the Ordinance and the Administration should step up its efforts in promoting the Ordinance to remind landlords that they must comply with the relevant requirements.

31. The Administration has advised that RVD has been sparing no effort in promotion since the Ordinance has come into effect. The work includes launching two rounds of publicity and promotion in end-November 2022 and end-January 2023 respectively; distributing posters and leaflets; placing advertisements on bus and tram bodies, MTR panels and newspapers; broadcasting Announcements in the Public Interest on TV and radio; posting video advertisements on TV, newspaper websites and mobile apps; and broadcasting relevant messages and roller features broadcast in TV programme. Furthermore, RVD has issued letters to buildings believed to have more SDUs to remind SDU landlords and tenants of the relevant requirements. The Tenancy Services Section of RVD has also attached important messages of the Ordinance and relevant QR codes in all its letters and emails.

32. In the meantime, RVD has been collaborating with other government departments in promoting the Ordinance, which includes providing posters and leaflets on SDU tenancy control to the Home Affairs Department and Social Welfare Department for posting or distributing at their district offices, and assigning a dedicated liaison officer in RVD to handle referral cases from these departments; and introducing SDU tenancy control and providing relevant leaflets to PRH applicants attending the detailed vetting interview of the Housing Department, as well as reminding the applicants to report to RVD promptly if they suspect SDU landlords to have contravened the requirements under the Ordinance. RVD will continue to promote the Ordinance through various channels and means as appropriate.

33. Apart from RVD being responsible for the implementation of the Ordinance, the Government has also engaged NGOs to set up six District Service Teams (“DSTs”). DSTs have been reaching out to the grassroots since early January 2022 through various publicity activities such as street counters, home visits, online talks and briefing sessions as well as their connection networks; assisting RVD in promoting the Ordinance at district level; raising public awareness of the new regulatory regime; and handling general enquiries and referral cases, etc. The Government has also engaged an NGO to establish and manage a web-based information portal on tenancy control on SDUs

(www.sdu-info.org.hk) for publicity and education purposes. The portal was launched on 21 March 2022.

*Preventing overcharging of water and electricity fees*

34. Members consider installing individual water and electricity meters for SDU tenants an effective way to prevent them from being overcharged for water and electricity by their landlords. Members have sought information on the work progress in this aspect, including the number of SDUs which have installed individual water and electricity meters respectively as at 31 March 2023, and relevant targets, if any, set by the Administration. Members consider that the Administration should step up installation of separate water and electricity meters for SDU tenants as far as practicable and strengthen enforcement actions against SDU landlords who fail to produce copies of the relevant bills and written apportionment account to their tenants in accordance with the Ordinance.

35. The Administration has advised that the Water Supplies Department (“WSD”) endeavours to install separate water meters for SDUs. Apart from submitting application through the streamlined procedures of the current “Scheme for Installation of Separate Water Meters for Subdivided Units” (“the Scheme”) by landlords, SDU tenants can also make requests to WSD directly, such that WSD will proactively contact the landlords for follow-up with a view to installing separate water meters for SDU tenants as soon as possible. As at mid-May 2023, WSD had received 92 eligible applications, of which 42 cases involving 129 separate water meters for SDU households had been approved, and 116 of them had been installed. To encourage SDU households to install WSD’s separate water meters, the Government has waived the water fee deposit (\$400) and the charge for providing a meter (\$120) for each separate water meter installed under the Scheme since 1 April 2023. This would reduce the cost of installing water meters for SDU landlords and provide financial incentives for them to join the Scheme. WSD has also further enhanced the application procedures of the Scheme, including expediting the processing of applications for installation of separate water meters by setting up a dedicated team, and simplifying the documentation requirements. WSD expects that the implementation of the above measures, coupled with relevant publicity and promotional activities, would encourage more SDU landlords to join the Scheme.

36. As regards charging for electricity tariff, the Administration has advised that currently, any users can apply for electricity supply from the two power companies in Hong Kong (i.e. CLP Power Hong Kong Limited and The Hongkong Electric Company, Limited). The power companies will install individual electricity meters for SDU households if consents from landlords and building management have been obtained, and that the SDUs meet relevant prerequisites and safety standards. The two power companies have been working with social welfare organizations to actively provide appropriate support measures to vulnerable groups under their respective “Community Energy Saving Funds”. The support measures include providing subsidies for SDU landlords to carry out rewiring works required for the installation of individual electricity meters, and installing individual electricity meters free of charge for SDU households with the consent of landlords and meeting the required conditions. As at end April 2023, the two power companies have successfully installed 188 individual electricity meters for suitable SDU households.

#### Introducing initial rent for subdivided units

37. Members have studied the rental information of SDUs collected by RVD via Forms AR2 with tenancy period starting between the commencement of the Ordinance i.e. 22 January 2022 and 31 January 2023 and note that RVD plans to publish SDU rental information on its departmental website for reference on a monthly basis starting from late May 2023. Members consider that the regular publication of such rental information would assist SDU tenants in negotiating with their landlords on rent.

38. Members note that during the scrutiny of the Landlord and Tenant (Consolidation) (Amendment) Bill 2021 by LegCo, the Administration advised the Bills Committee on the Bill that it was not the opportune moment to consider setting initial rent for SDUs due to a lack of information on the rent levels of SDUs at that time and undertook to review the situation one year after the enactment of the Ordinance when more information about the rental market of SDU would be available. Now with the abovementioned SDU rental information available, members consider that the Administration should commence its study on introducing initial rent for SDUs.

39. The Administration has advised that the above SDU rental information is for reference only and should not be considered as the rental level that could be or should be charged for an individual SDU. The Administration is of the view that the rent of an individual SDU is affected by many factors, including

its size, orientation, lighting, ventilation, noise level, whether there is any independent toilet/kitchen, the facilities provided by the landlord in the SDU, environmental hygiene, etc. These factors could lead to differences of rent in varying degrees for SDUs located in the same building or even in the same unit. Information collected by RVD shows that over a similar period, there can be huge gaps between the rents of different SDUs in the same district with similar building ages and floor areas.

40. The Administration has further explained that, as the rental levels of individual SDUs are affected by a host of factors, the rental information collected by RVD is not sufficient to establish any trend in changes of rents. When negotiating the rent for an individual SDU, the landlord and tenant may consider making reference to the rental information published by RVD and taking into account the characteristics of the SDU to agree on the rent. Besides, it is expected that other housing initiatives pursued by the Government will have further impacts on the SDU rental market in future. Looking ahead, the supply of public housing will gradually increase and that of LPH will come to its peak in 2025-2026 and 2026-2027. The Administration anticipates that the demand for SDUs will reduce by then and the rents for SDUs will also adjust correspondingly. The Administration will continue to closely monitor the changes in the SDU rental market and consider in due course if there is a need to implement further measures.

41. The Administration expects that the number of Forms AR2 received by RVD will gradually increase as a result of the enhanced publicity and enforcement. The Government will continue its publicity and enforcement efforts so as to receive more Forms AR2 and more adequate data for analyzing and assessing the effectiveness of tenancy control measures. Meanwhile, the rental information published by RVD regularly could raise public awareness of the rental market in various districts and serve as a reference for landlords and tenants to set a reasonable rent when entering into SDU tenancies.

#### Regulating the living conditions of low-income tenants

42. Members opine that while the demand for SDUs or premises of shared tenancy would persist for various reasons in future, the Government's vision of eradicating inadequate housing by increasing the provision of public housing (including LPH), continuous implementation of transitional housing projects by NGOs, etc. could not provide timely relief for the tenants currently living in SDUs particularly those with poor living conditions. Members consider that the mechanism adopted by BD to enforce the Buildings Ordinance ("BO")

(Cap. 123) is not effective in regulating the standards on living conditions of SDUs, given the low number of notifications made to BD under the Minor Works Control System (“MWCS”) concerning the regulated minor works of subdivision of domestic flats into SDUs and the protracted procedures for handling suspected non-compliance cases. In short, members have the impression that the slow progress in the Government’s enforcement actions has contributed to the proliferation of inadequate housing.

43. In addition, members have expressed concern that alterations and additions of electrical wirings, water supply and drainage pipes, etc. are very common in premises with SDUs which may affect the structure and safety of the buildings. Members opine that to ensure the safety of such SDUs/buildings, the Administration should consider enhancing inspection of SDUs after receiving the notice of commencement and/or completion of minor works involving subdivision of a flat into SDUs submitted under MWCS to BD.

44. The Administration has advised that generally, those building safety, health and environment requirements applying to ordinary domestic premises under the BO equally apply to SDUs. Building works associated with subdivision of a flat, which might involve removal of existing partition walls and erection of new partition walls, thickening of floor screeding, alteration or addition of internal drainage works, formation of new door openings, etc., are subject to control under BO. For building works involving the structure of a building, the owner should appoint an authorized person and a registered structural engineer, to prepare the alteration and addition plans. After obtaining approval of the plans and consent to the commencement of the works from the Building Authority (i.e. Director of Buildings), the works should be carried out by a registered contractor in accordance with the approved plans. For designated minor works, they could be carried out through the simplified procedures under the MWCS. To ensure the quality of the minor works and that they are carried out by qualified registered building professionals and/or registered contractors, BD would randomly select completed minor works for audit checking, including checking of submitted documents and carrying out site audits as necessary.

45. The Administration points out that, based on the existing regulatory framework mentioned above, not all SDUs are illegal or necessarily involve building irregularities. BD would respond to reports from the public and referrals from government departments, and conduct LSO to inspect unauthorized SDUs in target domestic and composite buildings. Where irregularities in building structures, obstruction to means of escape and

inadequate fire resisting constructions are identified, BD would issue removal orders under the BO to the owners, requiring rectification of the irregularities. BD would consider instigating prosecution against the owners who fail to comply with the removal orders.

46. The Administration has further advised that BD selects 80 domestic and composite buildings for inspection of building irregularities associated with SDUs every year. In the five years up to October 2022, BD inspected 8 412 SDUs; 2 189 SDUs were found with building irregularities warranting enforcement action; 2 293 removal orders were issued; 510 prosecutions were instigated against the owners for failure to comply with removal orders; and 331 defendants were convicted. Government departments would exchange information regarding location of the SDUs. For 2022-2023, the number of domestic and composite buildings as well as industrial buildings selected for inspection of building irregularities associated with SDUs under BD's LSO was 100. In combating possible contraventions of BO and the Fire Services Ordinance (Cap. 95) associated with SDUs, relevant departments including BD and the Fire Services Department would actively pursue enforcement actions covering building and fire safety, environmental hygiene, lighting and ventilation, etc., under the prevailing enforcement policy.

47. Members have studied measures to regulate the living conditions of low-income tenants in selected places<sup>6</sup> and how they can be applied to Hong Kong. Members note that most of the selected places outside Hong Kong have some form of regulations on the living conditions of shared tenancy housing, covering different aspects of the living conditions, from fire safety, crowdedness, to environmental hygiene and provision of facilities. In most of the places studied, regulations of the living conditions often go hand in hand with some form of licensing or registration mechanism to facilitate systematic oversight and periodic inspections of conditions of the shared tenancy housing and ensure legitimacy of the business. In particular, in the Western countries/cities, licensing and registration generally come with compliance inspection upon initial licensing/registration and upon renewal. This is contrary to Hong Kong where only landlords of bedspace SDUs are required to be licensed. Members have suggested that the Administration should consider modelling on other cities which regulate shared tenancy housing by setting a statutory standard of minimum room size and supporting facilities for SDUs, with a view to eliminating SDUs which do not meet the required standards.

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<sup>6</sup> The six places selected for the study are England of the United Kingdom, New South Wales of Australia, New York State of the United States, Toronto of Canada, Seoul of South Korea, and Singapore. See fact sheet [FS08/2022](#) issued on 24 October 2022.

Eradicating subdivided units of poor quality

48. Members consider that the provision of transitional housing and LPH only serves as a temporary measure to ease the demand for PRH in the coming five years and the long-term target should be to provide permanent PRH to eligible applicants in need. In other words, a considerable number of grass-roots tenants will still have to live in SDUs, many of which are of poor quality. Members have expressed disappointment at the Administration's lack of a plan to date for phasing out SDUs and urged the Administration to provide to the Subcommittee a timetable and concrete measures for eradicating inadequate housing, including SDUs of poor quality.

49. In response to members' concerns, the Administration has advised that the main target is to eliminate SDUs with poor living conditions. As the living conditions of many SDU tenants are less than satisfactory, the Administration would strive to improve their living conditions through ensuring the supply of transitional housing and LPH in the coming few years pending the completion of the remaining two-third public housing units in the second five-year period (from 2028-2029 to 2032-2033). BD has been taking enforcement actions against actionable building irregularities associated with SDUs pursuant to BO. HB had also been liaising with the Development Bureau and the Labour and Welfare Bureau to explore possible measures to assist those tenants residing in poor quality SDUs.

50. The Administration has affirmed its determination to eliminate SDUs which are of poor quality or pose harms to public safety. Notwithstanding this, there are some SDUs which are better-equipped and able to comply with the relevant regulatory requirements, and their existence still contributes to addressing the housing needs of certain households in the community. The Administration reiterates that it has identified sufficient land for building 360 000 PRH units in the coming decade. With the completion of transitional housing and LPH projects in the coming few years providing about 50 000 housing units, SDU tenants would have more housing options and that SDUs of poor quality are expected to be driven out of the market gradually.



## **Recommendations**

51. In the course of deliberations, the Subcommittee has made the following recommendations for the Administration to consider:

### Transitional housing

- (a) make use of the fund remaining under the Funding Scheme to increase the resources allocated to NGOs (see paragraph 15 above);
- (b) conduct a full review on the operation and occupancy of transitional housing projects (see paragraph 17 above);
- (c) step up publicity efforts for transitional housing projects, thereby increasing their occupancy (see paragraph 17 above);
- (d) expedite the implementation of the Unified Platform and set KPIs to evaluate its effectiveness (see paragraphs 20 and 21 above);
- (e) make use of applicants information collected by the Unified Platform for formulating necessary measures to assist tenants living in SDUs (see paragraph 23 above);

### Tenancy control on subdivided units

- (f) consider providing assistance or incentives to SDU tenants who are reluctant to come forward to report on landlords' suspected contraventions of the Ordinance (see paragraph 28 above);
- (g) step up efforts in promoting the Ordinance (see paragraph 30 above);
- (h) step up installation of separate water and electricity meters for SDU tenants (see paragraph 34 above);
- (i) strengthen enforcement actions against SDU landlords who fail to comply with the requirements under the Ordinance (see paragraph 34 above);

Introducing initial rent for subdivided units

- (j) commence study on introducing initial rent for SDUs (see paragraph 38 above);

Regulating the living conditions of low-income tenants

- (k) enhance inspection of SDUs after receiving the notice of commencement and/or completion of minor works under MWCS to BD (see paragraph 43 above);
- (l) consider setting a statutory standard of minimum room size and supporting facilities for SDUs (see paragraph 47 above); and

Eradicating subdivided units of poor quality

- (m) formulate a plan for phasing out SDUs with concrete measures for eradicating poor-quality SDUs (see paragraph 48 above).

**Advice sought**

- 52. Members of the Panel are invited to note the work of the Subcommittee.

Council Business Division 1 and Public Complaints Office  
Legislative Council Secretariat  
15 June 2023

**Panel on Housing**

**Subcommittee on Issues Relating to the Improvement of Living  
Conditions of the Grass-roots Tenants**

**Terms of reference**

To review the implementation of the Government's policies and measures to improve the living conditions of grass-roots tenants, monitor the works progress of transitional housing projects, and make recommendations on issues relating to the improvement of living conditions of grass-roots tenants.

**Panel on Housing**

**Subcommittee on Issues Relating to the Improvement of Living  
Conditions of the Grass-roots Tenants**

**Membership List \***

**Chairman** Hon Vincent CHENG Wing-shun, MH, JP

**Members** Hon Starry LEE Wai-king, GBS, JP  
Ir Dr Hon LO Wai-kwok, GBS, MH, JP  
Hon LAU Kwok-fan, MH, JP  
Hon Doreen KONG Yuk-foon  
Ir Hon LEE Chun-keung  
Hon Stanley NG Chau-pei, SBS  
Dr Hon Wendy HONG Wen  
Hon LEUNG Man-kwong, MH  
Hon CHAN Hok-fung, MH, JP

(Total: 10 members)

**Clerk** Mr Derek LO

**Legal Adviser** Ms Vanessa CHENG

\* Changes in membership are shown in Annex to Appendix 2.

**Panel on Housing**

**Subcommittee on Issues Relating to the Improvement of Living  
Conditions of the Grass-roots Tenants**

**Changes in membership**

<b>Member</b>	<b>Relevant date</b>
Dr Hon David LAM Tzit-yuen	Up to 3 July 2022
Dr Hon Stephen WONG Yuen-shan	Up to 26 December 2022
Hon Benson LUK Hon-man	Up to 10 January 2023

For **changes in LegCo Membership**, please refer to the link below:

(<https://www.legco.gov.hk/en/members/legco-members/changes-in-legco-membership.html>)

**Panel on Housing**

**Subcommittee on Issues Relating to the Improvement of Living  
Conditions of the Grass-roots Tenants**

**List of organizations/individuals which/who have given views  
to the Subcommittee**

1. Habitat for Humanity Hong Kong
2. 葵涌劏房居民大聯盟
3. Democratic Alliance for the Betterment and Progress of Hong Kong
4. Hong Kong Subdivided Flats Concerning Platform
5. 關注安置政策連線
6. 中西區輪候公屋劏房戶心聲
7. A member of the public
8. A member of the public
9. The Hong Kong Council of Social Service
10. Pumen Foundation Limited
11. Centre Stage Squarer
12. New Territories Association of Societies (Community Services) Foundation
13. Hong Kong Housing Society
14. Concerning Grassroot Housing Rights Alliance
15. Christian Concern for the Homeless Association
16. Concern for Grassroots' Livelihood Alliance Limited
17. The Hong Kong Council of Social Service
18. Tung Wah Group of Hospitals
19. New Home Association