

**CHAPTER 3**

**THE GOVERNMENT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION**

**GENERAL REVENUE ACCOUNT**

**GOVERNMENT SECRETARIAT**

**Home Affairs Bureau**

**GOVERNMENT DEPARTMENT**

**Home Affairs Department**

**Licensing of bedspace apartments  
and provision of singleton hostels**

# LICENSING OF BEDSPACE APARTMENTS AND PROVISION OF SINGLETON HOSTELS

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# LICENSING OF BEDSPACE APARTMENTS AND PROVISION OF SINGLETON HOSTELS

## Summary and key findings

A. **Introduction.** Bedspace apartments (BSAs) are private dwellings in which bedspaces are available for lease. Most of the BSAs are found in dilapidated tenement blocks in densely populated urban areas where living conditions and building and fire safety standards are generally poor. In April 1994, the Bedspace Apartments Ordinance (BSAO —Cap. 447) was enacted to provide for a licensing scheme for the regulation, supervision and safety of BSAs. The Government allowed a four-year exemption period, which expired on 1 July 1998, to enable BSA operators to register their BSAs, to carry out upgrading works, and to apply for licences. Upon the expiry of the exemption period, all apartments which fall within the definition of BSAs under the BSAO must be duly licensed. The Government assured Legislative Council Members that sufficient alternative accommodation would be made available under a singleton hostel programme so that no displaced BSA lodgers would be made homeless as a result of the implementation of the licensing scheme (paras. 1.1, 1.3 and 1.4).

B. **Audit review.** Audit has conducted a review to examine the extent to which the Home Affairs Department (HAD) has effectively: (a) implemented the licensing scheme; (b) provided rehousing assistance under the singleton hostel programme to displaced BSA lodgers; and (c) planned the construction of purpose-built singleton hostels (para. 1.10). The audit findings are summarised in paragraphs C to H below.

C. **Implementation of the licensing scheme.** Prior to the full implementation of the licensing scheme on 2 July 1998, BSA operators were issued with certificates of exemption to enable them to continue operating their BSAs. As at 2 July 1998, there were 99 registered BSAs. Thereafter, the Office of the Licensing Authority (LA) of the HAD issued full licenses to operators who had fully complied with the BSAO. The LA had taken more than 4.5 years to effect the compliance with the licensing requirements of the BSAO for 26 of the 99 registered BSAs. As the HAD had allowed a long exemption period of four years to enable BSA operators to carry out the necessary upgrading works, Audit considers that the progress of the 26 BSA operators' compliance with the requirements of the BSAO was not entirely satisfactory (paras. 2.2, 2.3 and 2.5).

D. **Singleton hostel programme.** As at 31 July 1999, the HAD provided 33 singleton hostels converted from domestic premises and one purpose-built singleton hostel, the Sunrise House, under the singleton hostel programme. The HAD appointed the Agency for Volunteer Service (AVS) to manage the singleton hostels which were converted from domestic premises and the Salvation Army to manage the Sunrise House. In addition, another purpose-built singleton hostel in High Street is under construction. Over the years, the total financial resources provided for the singleton hostel

programme amounted to about \$250 million. The HAD has also planned to build two more purpose-built singleton hostels, one in Bailey Street and another in Rock Hill Street (paras. 3.3 to 3.6 and 3.9).

E. There is room for improvement in the control over the admission of displaced BSA lodgers to singleton hostels managed by the AVS. Audit's examination of the application forms indicated that some of the lodgers did not meet the admission criteria and some of the information in the application forms was incomplete. The AVS did not forward periodically to the HAD reports on the compliance with the admission criteria of its singleton hostels. Audit considers that, for control and monitoring purposes, the HAD should obtain such management information so as to ensure that the Government's policy on providing rehousing assistance to displaced BSA lodgers is properly followed (paras. 3.13 and 3.15).

F. **Low occupancy of singleton hostels.** The HAD expected that most of the bedspaces in the singleton hostels would be occupied upon the full implementation of the licensing scheme. However, as at 31 July 1999, one year after the full implementation of the licensing scheme, the overall occupancy rate was only 43% (only 303 bedspaces of the 702 bedspaces available were occupied). Based on the number of vacant bedspaces as at 31 July 1999, Audit estimated that the financial implications, in terms of rental income for the vacant bedspaces, would amount to about \$4 million per annum. When the purpose-built singleton hostel in High Street, which will provide 270 bedspaces, commences operation in 2001, it is likely that the overall low occupancy of the singleton hostels will worsen. Audit noted that in mid-1999, the HAD planned a series of actions to promote the singleton hostels to suitable occupiers (paras. 4.4, 4.8, 4.9 and 4.12).

G. **Planning of purpose-built singleton hostels.** The HAD has planned to build two more purpose-built singleton hostels, one in a proposed government complex in Bailey Street (the Bailey Street Project) and another in a proposed government complex in Rock Hill Street (the Rock Hill Street Project). Audit observed that the HAD had not critically assessed the demand for additional bedspaces for displaced BSA lodgers. According to Audit's analysis, the number of bedspaces which would be made available to accommodate displaced BSA lodgers (including the vacant bedspaces in the existing singleton hostels managed by the AVS, the bedspaces in the Sunrise House, and the 270 bedspaces in the singleton hostel in High Street) would far exceed the demand, even if the bedspaces of the two proposed singleton hostels are not taken into account. In May 1998, when the Home Affairs Bureau (HAB) submitted its bid for the Bailey Street Project in the Resource Allocation Exercise, the number of bedspaces which would exceed the estimated demand was 242. In June 1999, when the HAB submitted its bid for the Rock Hill Street Project in the Resource Allocation Exercise, the number of bedspaces which would exceed the estimated demand was 505 (paras. 5.1, 5.5 and 5.10).

H. In August 1999, due to competing priorities with other essential capital works projects, the Bailey Street Project was retained in Category B of the Public Works Programme, and the bid for the

Rock Hill Street Project in the Resource Allocation Exercise was rejected. In the same month, the HAB informed the Finance Bureau (FB) that the HAB was prepared to scale down the Rock Hill Street Project by deleting, among others, the proposed singleton hostel. In September 1999, the FB accepted the bid for funding the Rock Hill Street Project on the reduced scale (paras. 5.6 and 5.11).

I. **Audit recommendations.** Audit has made the following major recommendations that the Director of Home Affairs should:

- (a) in enforcing the licensing requirements of the BSAO, ensure that in future, BSA operators complete all the required upgrading works within a reasonable time frame (para. 2.6);
- (b) ensure that applicants provide adequate information in the applications for singleton hostels and that the information is thoroughly vetted to confirm that the applicants are eligible for rehousing under the singleton hostel programme (para. 3.16(b));
- (c) for control and monitoring purposes, require the management agencies to submit periodic reports on the compliance with the admission criteria of the singleton hostels (para. 3.16(c));
- (d) if the occupancy rate of the singleton hostels remains at a low level, consider renting out the excessive bedspaces to the public at the market price as a temporary measure and reducing the number of singleton hostels and the number of bedspaces as a long-term measure (para. 4.13(b));
- (e) critically assess whether the purpose-built singleton hostel in High Street is still required and, if not, examine whether it is possible to convert it into other uses (para. 4.13(c)); and
- (f) critically assess the demand for additional bedspaces when proposing the construction of singleton hostels, and critically examine whether there is still a need for the singleton hostel in Bailey Street (para. 5.12).

J. **Response from the Administration.** The Director of Home Affairs has accepted the audit recommendations, and has also taken action to pursue their implementation.

## **PART 1: INTRODUCTION**

### **Background**

1.1 Bedspace apartments (BSAs) are private dwellings in which bedspaces are available for lease. Most of the BSAs are found in dilapidated tenement blocks in densely populated urban areas where living conditions and building and fire safety standards are generally poor. Some people, especially single persons, choose to live in BSAs because of low rents and proximity to their places of work. Some BSA lodgers have established long social ties in the district where they live. They are reluctant to move to other places for fear of losing social contact and acquaintances.

1.2 The Government recognises that there is a demand for BSAs in urban areas. However, overcrowded BSAs can pose fire safety, hygiene and other building management problems. As early as 1987, the Government considered that there was a need to address the problems of overcrowding and fire safety in BSAs. To address such problems, the Government launched a pilot scheme to reduce overcrowding and fire hazards in targeted BSAs, and to see what measures could be introduced for regulating more effectively conditions in such BSAs. In December 1990, a tragic fire broke out in a BSA in Sham Shui Po, causing seven deaths and injuries to 50 others. This incident aroused public concern about the safety standards of BSAs.

1.3 In January 1991, the Secretary for Home Affairs informed Members of the Legislative Council (LegCo) that the Government would introduce a statutory licensing scheme as part of a move to reduce overcrowding and to improve building safety, fire safety and sanitation standards in BSAs. The Secretary said that, in order to implement the proposed licensing scheme, it would be necessary to reduce the number of bedspaces in some BSAs before they could attain the required standards. As a result, some BSA lodgers would be displaced from overcrowded BSAs. The Secretary assured LegCo Members that sufficient alternative accommodation would be made available, under a singleton hostel programme, to displaced BSA lodgers who were not qualified for public rental housing through compassionate rehousing arrangements, and that no displaced BSA lodgers would be made homeless as a result of implementing the proposed licensing scheme.

### **Enactment of the BSAO**

1.4 In April 1994, the Bedspace Apartments Ordinance (BSAO —Cap. 447) was enacted to provide for a licensing scheme for the regulation, supervision and safety of BSAs. The BSAO was put into operation on 8 July 1994. Thereafter, the Government allowed an exemption period of four years to enable BSA operators:

- (a) to register their BSAs with the Government;
- (b) to carry out the necessary upgrading works for complying with the building and fire safety standards and sanitation requirements under the licensing scheme; and
- (c) to apply for licences for operating their BSAs.

During the exemption period, the Government stepped up inspections of BSAs to ensure that BSA operators observed the mandatory safety requirements, including installation of fire extinguishers, fire blankets and fire alarms, and keeping the passageways free from obstruction at all times. The exemption period expired on 1 July 1998 (Note 1). Since then, before they can continue to operate legally, all apartments which fall within the definition of BSAs in section 2 of the BSAO (see paragraph 1.5 below) must comply with the statutory safety standards and must be duly licensed.

1.5 Under section 2 of the BSAO:

(a) a BSA means:

“(a) any flat; or

(b) where the partitioning wall or walls between 2 or more adjoining flats in a building has or have been demolished, such 2 or more adjoining flats,

in which there are 12 or more bedspaces used or intended to be used as sleeping accommodation under rental agreements, and for the purpose of determining whether any flat constitutes a bedspace apartment, the existence of partitions in the flat shall be disregarded”;  
and

(b) a bedspace means:

“any floor space, bed, bunk or sleeping facility of any other type, or any part thereof, used or intended to be used as sleeping accommodation for one person”.

1.6 Section 5(1) of the BSAO stipulates that any person who operates, keeps, manages or otherwise controls a BSA, in respect of which the conditions specified in the BSAO have not been satisfied, commits an offence and is liable on conviction to a fine of \$100,000 and to imprisonment for two years and to a further fine of \$20,000 for each day or part of a day during which the offence has continued.

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**Note 1:** *The original expiry date of the exemption period was 1 December 1996. However, the expiry date was extended to 1 July 1998 to tie in with the completion of a singleton hostel in 1998 so that all displaced BSA lodgers would have alternative accommodation.*



## **The Bedspace Apartments Authority and the Home Affairs Department**

1.7 Under section 4 of the BSAO, the Secretary for Home Affairs is the Bedspace Apartments Authority for the purposes of the BSAO. The Bedspace Apartments Authority may authorise any public officer to perform all or any of the functions or to exercise powers under the BSAO. The Secretary has delegated the authority to the Office of the Licensing Authority (LA –Note 2) of the Home Affairs Department (HAD) to enforce the BSAO. The HAD is also given the responsibility for ensuring that sufficient alternative accommodation is available to displaced BSA lodgers.

### **Safety and sanitation requirements**

1.8 Under section 18 of the BSAO, an apartment which falls within the definition of a BSA under the BSAO (see paragraph 1.5 above) has to comply with the building and fire safety and sanitation requirements. Section 18 stipulates that:

- (a) the design, structure and construction and the means of ingress and egress of the BSA, as well as the fire service installations and equipment, means of escape and sanitary and plumbing facilities in the BSA have to provide safe and hygienic accommodation to the occupiers and to ensure their safe escape in the event of a fire or other emergency;
- (b) the BSA and its facilities have to be properly maintained in good repair and a safe condition free from any risk of fire or injury to person and any hazards to the safety of the occupiers; and
- (c) all fire service installations and equipment (including fire extinguishers, fire blankets and manual fire alarm call points) and all electrical wiring and installations in the BSA have to be properly installed and maintained by registered contractors.

1.9 The LA also provides technical details in a code of practice for the guidance of operators, owners and other parties concerned in the operation of BSAs. From time to time, the LA may revise the whole or any part of the code of practice by revoking, varying or adding to its provisions or requirements. Compliance with the code of practice is a primary way of satisfying the building and fire safety and sanitation requirements of the BSAO. However, the LA may accept other alternatives, instead of those requirements specified in the code of practice, if equivalent performance is achieved. The code of practice specifies, for example, that:

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**Note 2:** *The LA is responsible for enforcing the building and fire safety of BSAs, hotels, guesthouses and clubs under different ordinances. The Bedspace Apartment Unit of the LA is responsible for enforcing the BSAO. Officers of the LA are mainly seconded from the Buildings Department and the Fire Services Department. A Chief Officer (of the Chief Building Surveyor rank) oversees the operations of the LA. The Bedspace Apartment Unit is supervised by a Senior Building Surveyor, and is staffed by one Building Surveyor, one Senior Survey Officer and two Survey Officers from the Buildings Department and one Senior Station Officer from the Fire Services Department.*

- (a) only single beds or double bunks should be provided. They should be properly secured to the floor as necessitated by the circumstances;
- (b) every room used for habitation or as a kitchen should be provided with natural lighting and ventilation;
- (c) the void space in any false ceiling should not be used for storage purposes;
- (d) all internal passageways and doors in passageways should have a minimum width of not less than 750 millimetres and be kept free from obstruction at all times;
- (e) the width of exit route should not be less than 900 millimetres throughout and the clear height of exit route should not be less than two metres;
- (f) all kerosene or liquefied petroleum gas should be properly stored in the kitchen. They should not exceed the quantity permitted, which is 20 litres for kerosene and 130 litres aggregated nominal water capacity for liquefied petroleum gas;
- (g) all cooking should be done inside the kitchen. Only food warming or boiling of water using electricity will be permitted outside the kitchen;
- (h) the number of watercloset fittings, lavatory basins and baths or showers or water supply points should not be less than the number specified under different circumstances; and
- (i) all plumbing works and materials should be in accordance with the provisions of the Building (Standards of Sanitary Fittings, Plumbing, Drainage Works and Latrines) Regulations of the Buildings Ordinance (Cap. 123).

### **Audit review**

1.10 Audit has conducted a review to examine the extent to which the HAD has effectively:

- (a) implemented the licensing scheme under the BSAO;
- (b) provided rehousing assistance under the singleton hostel programme to displaced BSA lodgers; and
- (c) planned the construction of purpose-built singleton hostels for displaced BSA lodgers.

## **PART 2: IMPLEMENTATION OF THE LICENSING SCHEME**

### **Supervision and licensing of BSAs**

2.1 After the BSAO came into operation in July 1994, staff of the LA visited all known BSAs to advise BSA operators to register their BSAs. Staff of the LA inspected premises of the registered BSAs. They provided the BSA operators with lists of necessary upgrading works for meeting the requirements of the licensing scheme under the BSAO.

2.2 Prior to the full implementation of the licensing scheme on 2 July 1998, BSA operators were issued with certificates of exemption to enable them to continue operating their BSAs. The certificates were normally valid for a period of 12 months and were renewable subject to the approval of the LA. After the full implementation of the licensing scheme, the LA issued full licences to operators who had fully complied with the BSAO. Some BSAs were issued with conditional licences (Note 3) because the necessary upgrading works had not been fully completed. Some BSAs were not licensable because they were located in industrial buildings, basements or unauthorised building works.

### **Position after full implementation of the licensing scheme**

2.3 Upon the full implementation of the licensing scheme on 2 July 1998, there were 99 registered BSAs and their operators were issued with certificates of exemption. Of these 99 registered BSAs, the LA expected that:

- (a) 43 were likely to be issued with full licences because the BSAs had complied with most of the requirements of the BSAO;
- (b) 30 were likely to be issued with conditional licences because the BSAs still had to complete the necessary upgrading works in order to meet the requirements of the BSAO; and
- (c) 26 were not likely to be licensed because they were subject to high risks (Note 4).

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**Note 3:** *The conditions set by the LA normally relate to the removal of unauthorised building works, replacement of fire doors, removal of obstruction along the means of escape, improvement of lighting and ventilation, provision of extra sets of sanitary fittings, widening of passageways and submission of certificate on the suitability of the electrical installation in the premises.*

**Note 4:** *BSAs were considered to be subject to high risks if unauthorised building works were used for sleeping accommodation, sleeping cocklofts were provided over the kitchens, means of escape were congested, or alternate exit staircases were inaccessible.*

2.4 The actual number of registered BSAs which were issued with full licences turned out to be fewer than the LA had expected. As at 31 July 1999, one year after the full implementation of the licensing scheme, of the 99 registered BSAs mentioned in paragraph 2.3 above:

- (a) 58 were deleted from the BSA register, mainly because the operators had ceased operating their BSAs or had reduced the number of bedspaces in their BSAs to below 12 (see paragraph 1.5 above);
- (b) 36 were issued with full licences;
- (c) 3 were issued with conditional licences; and
- (d) 2 were not issued with any licence.

In addition, eight other premises had been identified by the LA as illegal BSAs. The LA was taking follow-up action on the illegal BSAs.

### **Audit observations**

#### **Long time taken to implement the licensing scheme**

2.5 Audit analysed the time taken to implement the licensing scheme in respect of the 99 BSAs mentioned in paragraph 2.4 above. As shown in the shaded row of Table 1 below, for 26 of the 99 BSAs, the LA had taken more than 4.5 years since their registration to effect the compliance with the licensing requirements of the BSAO. As at 31 July 1999, of these 26 BSAs:

- (a) 11 were deleted from the BSA register;
- (b) 10 were issued with full licences; and
- (c) the licensing of the remaining 5 had not yet been completed (3 BSAs were issued with conditional licences and 2 were not issued with any licence).

**As the HAD had allowed a long exemption period of four years to enable BSA operators to carry out the necessary upgrading works, Audit considers that the progress of the 26 BSA operators' compliance with the requirements of the BSAO was not entirely satisfactory.**

**Table 1**

**Audit analysis of the time taken to implement the licensing scheme  
(Position as at 31 July 1999)**

Time taken since registration	Number of BSAs			Total	Percentage
	Deleted from BSA register	Fully licensed	Licensing not yet completed		
	(a)	(b)	(c)		
More than 1 year and up to 3 years	5	5	0	10	10%
More than 3 years and up to 4.5 years	42	21	0	63	64%
More than 4.5 years	11	10	5	26	26%
<b>Total</b>	<u><u>58</u></u>	<u><u>36</u></u>	<u><u>5</u></u>	<u><u>99</u></u>	<u><u>100%</u></u>

*Source: Audit's analysis of LA's records*

*Note: The BSAO came into operation with effect from 8 July 1994. Thereafter, the Government allowed an exemption period of four years for BSA operators to register their BSAs, to carry out upgrading works, and to apply for licences.*

**Audit recommendations**

2.6 **Audit has recommended that, in enforcing the licensing requirements of the BSAO, the Director of Home Affairs should ensure that in future, BSA operators complete all the required upgrading works within a reasonable time frame and, where necessary, take effective enforcement action (including prosecution) against those BSA operators who do not comply with the BSAO.**

## **Response from the Administration**

2.7 The **Director of Home Affairs** and the **Secretary for Home Affairs** have said that:

### *General*

- (a) the licensing scheme under the BSAO has been implemented very smoothly and successfully, with the building and fire safety standards of licensed BSAs much enhanced and the safety of BSA lodgers therein better safeguarded. The HAD has also ensured that no BSA lodger has been rendered homeless as a consequence of the implementation of the BSAO;
- (b) the exemption period of four years was necessary to allow adequate time for the BSA operators to carry out the necessary upgrading works, and to enable arrangements to be made to provide alternative accommodation to displaced BSA lodgers, as a result of the implementation of the BSAO (see Note 1 in paragraph 1.4 above);
- (c) the HAD has been closely monitoring the implementation of the licensing scheme and the singleton hostel programme. It has been proactively taking various initiatives for improvements, both in terms of operational aspects and resource management. The recommendations put forward in various parts of this audit review report are accepted. Some of the recommendations have been implemented and the others are being pursued;

### *Implementation of the licensing scheme*

- (d) the LA adopts a proactive and business-friendly approach in handling licence applications from BSA operators. It always stands ready to offer detailed technical advice to BSA operators in need of specific information and direction;
- (e) regarding the five BSAs which had not yet been licensed as at 31 July 1999 (see paragraph 2.5(c) above), three of the BSAs have now been issued with a full licence, and the other two BSAs have ceased operating as BSAs, as defined in the BSAO (see paragraph 1.5 above), and hence have been deleted from the BSA register. At present, all BSAs previously issued with conditional licences have either been issued with full licences after the completion of the required works, or ceased operating as BSAs, as defined in the BSAO; and
- (f) the LA will continue taking enforcement action against those BSA operators who do not comply with the BSAO. The LA carried out an extensive survey in early 1999 with a view to identifying illegal BSAs, and has since been taking necessary enforcement action against the illegal BSAs (see paragraph 2.4 above).

## **PART 3: SINGLETON HOSTEL PROGRAMME**

### **Government's rehousing assistance**

3.1 As mentioned in paragraph 1.4 above, upon the expiry of the exemption period on 1 July 1998, all apartments which fall within the definition of BSAs in section 2 of the BSAO must comply with the statutory safety standards and must be duly licensed, before they can continue to operate legally. In implementing the licensing scheme, some BSA operators had to reduce the number of bedspaces in their BSAs to meet the safety standards, while others had to close their BSAs or to reduce the number of bedspaces in their BSAs to below 12 so as to fall outside the legal definition of BSA (see paragraph 1.5 above).

3.2 The Government provides the displaced BSA lodgers with the following types of rehousing assistance:

- (a) displaced BSA lodgers aged 60 or over, or with medical or health problems, will be assisted by the Social Welfare Department (SWD) for rehousing in hostels run by welfare institutions or elderly institutions, or for resettlement in public rental housing through compassionate rehousing arrangements. During the period April 1994 (when the BSAO was enacted) to September 1999, about 1,400 BSA lodgers had been rehoused or resettled through the assistance of the SWD; and
- (b) displaced BSA lodgers aged below 60, or not eligible for rehousing through the assistance of the SWD, are eligible for admission to singleton hostels of the HAD, under a singleton hostel programme. As at 31 July 1999, 303 BSA lodgers were living in the singleton hostels.

In addition, BSA lodgers may apply for public rental housing by registering themselves with the Housing Department. If BSA lodgers meet the eligibility criteria for public rental housing, they will be allocated public housing units in the order of the date of registration on the public rental housing waiting list.

### **Provision of singleton hostels**

3.3 As at 31 July 1999, the HAD provided the following types of singleton hostels:

- (a) 33 singleton hostels which were converted from domestic premises in Eastern, Kwun Tong, Sham Shui Po, Wan Chai and Yau Tsim Mong Districts. These hostels provided a total of 392 bedspaces. These comprised three government-owned premises,

23 premises purchased with donations from the General Chinese Charities Fund (GCCF — Note 5), two premises leased from the Land Development Corporation (LDC —Note 6) at a nominal rent of \$1 each, and five premises leased from the Hong Kong Housing Society at normal rent; and

- (b) a purpose-built multi-storey singleton hostel in Sham Shui Po, the Sunrise House, which provided a total of 310 rooms, each with one bedspace.

3.4 In addition, the HAD is building another purpose-built singleton hostel which will provide a total of 270 bedspaces in 45 rooms, to be accommodated in three storeys of a government complex under construction in High Street, Sai Ying Pun. This singleton hostel is expected to commence operation in 2001.

3.5 The HAD has also planned to build two more purpose-built singleton hostels. One such hostel would provide a total of 270 bedspaces in 45 rooms to be accommodated in four storeys of a proposed government complex in Bailey Street, To Kwa Wan (see paragraphs 5.2 to 5.6 below). Another hostel would provide a total of 300 rooms, each with one bedspace, to be accommodated in eight storeys of a proposed government complex in Rock Hill Street, Kennedy Town (see paragraphs 5.7 to 5.11 below).

## **Financial resources**

3.6 Since 1990, the Secretary for Home Affairs had sought funds from both within and outside the Government to address the problem of people living in BSAs. Over the years, the total financial resources provided for the singleton hostel programme amounted to about \$250 million, of which:

- (a) about \$105 million was donated by the GCCF for the provision and operation of the singleton hostels (see paragraph 3.7 below);
- (b) \$65 million was contributed by the LDC, mainly for the construction of the Sunrise House (see paragraph 3.8 below); and

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**Note 5:** *The GCCF is administered by the Chinese Temples Committee, which is chaired by the Secretary for Home Affairs under the Chinese Temples Ordinance (Cap. 153). Under section 9(1)(b) of the Ordinance, the Chinese Temples Committee may apply the GCCF for the purposes of any Chinese charity in Hong Kong.*

**Note 6:** *The LDC was established in 1988, under the Land Development Corporation Ordinance (Cap. 15), to undertake, encourage, promote and facilitate urban renewal.*



- (c) about \$80 million was provided by the Government, of which about \$3 million was the estimated market value of the three government-owned premises and about \$77 million was the construction cost of the purpose-built singleton hostel in High Street (see paragraphs 3.3(a) and 3.4 above).

In addition, the estimated government funding for the construction of the two proposed purpose-built singleton hostels, mentioned in paragraph 3.5 above, would amount to \$190 million (see paragraphs 5.2 and 5.7 below).

3.7 *Donations from GCCF.* In the past years, the HAD had received a total of \$105.8 million (\$94.1 million donations and \$11.7 million interest earned) from the GCCF. Up to 31 July 1999, of the \$105.8 million, \$83.2 million was spent as follows:

- (a) \$46.7 million was for the purchase of 24 domestic premises, of which 23 had been converted into singleton hostels and one is being used as a management office for administering the singleton hostels;
- (b) \$12.9 million was for the renovation and fitting-out of the singleton hostels; and
- (c) \$23.6 million was for covering the operating expenses of the singleton hostels.

3.8 *Contribution from LDC.* In June 1995 and February 1996, with the approval of the Financial Secretary, the LDC contributed a total of \$65 million mainly for the construction of the Sunrise House. Over the years, the HAD had also leased a total of seven premises from the LDC, at a nominal rent of \$1 each for rehousing displaced BSA lodgers (Note 7). In 1999, five of these premises were returned to the LDC. As at 31 July 1999, the HAD was leasing only two such premises for rehousing displaced BSA lodgers.

### **Management of singleton hostels**

3.9 The administration, maintenance and cleaning services of the singleton hostels are provided by non-profit making organisations appointed by the HAD. Since 1991, the HAD has appointed the Agency for Volunteer Service (AVS —Note 8) to manage the singleton hostels converted from domestic premises. In 1998, the HAD appointed the Salvation Army (SA) to manage the Sunrise House, which commenced operation on 1 September 1998.

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**Note 7:** *The total cost of purchasing the seven premises owned by the LDC was \$9.3 million.*

**Note 8:** *The AVS is a non-profit making organisation, established in 1970, for fostering, strengthening and supporting volunteer service to improve the quality of life of the Hong Kong people. The AVS receives financial assistance mainly from the Government and the Community Chest.*

## **Rental income and operating expenses of singleton hostels**

3.10 At present, the monthly rent per bedspace is \$430 for singleton hostels managed by the AVS and the monthly rent per room ranges from \$900 to \$1,500 for the Sunrise House. The income of both the singleton hostels managed by the AVS, and the Sunrise House, cannot fully cover their operating expenses. From 1991-92 to 1998-99, the singleton hostels managed by the AVS incurred a total deficit of \$23.1 million. The deficit was covered by donations received from the GCCF. Since its operation in September 1998 and up to 31 March 1999, the Sunrise House had incurred a deficit of \$0.47 million. The SA is negotiating with the HAD for funds to cover the deficit. The deficits were, to an extent, caused by the low occupancy rate of the singleton hostels (see paragraph 4.4 below).

## **Audit observations**

### **Admission criteria for singleton hostels**

3.11 Audit examined the criteria for the admission of displaced BSA lodgers to the singleton hostels managed by the AVS and to the Sunrise House managed by the SA to ascertain whether the criteria were the same. As shown in Table 2 below, there are differences in their admission criteria. **Audit noted that, as compared with the Sunrise House:**

- (a) **the singleton hostels managed by the AVS admit both male and female lodgers; and**
- (b) **the admission criteria for the singleton hostels managed by the AVS do not:**
  - (i) **impose a monthly income ceiling for the lodgers;**
  - (ii) **require the lodgers to provide information about their health condition; or**
  - (iii) **require the lodgers to submit a long-term housing plan.**

**Audit considers that the HAD should examine the rationale for the discrepancy in admission criteria between the singleton hostels managed by the AVS and the Sunrise House managed by the SA, and review whether the singleton hostel programme should provide assistance to all displaced BSA lodgers on an equal basis.**

**Table 2**

**Admission criteria for singleton hostels**

<b>Admission criteria</b>	<b>Singleton hostels managed by the AVS</b>	<b>Sunrise House managed by the SA</b>
<b>Age</b>	<ul style="list-style-type: none"> <li>• Under 60 years old</li> </ul>	<ul style="list-style-type: none"> <li>• Under 60 years old</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>• Male or female singletons (presently, there is only one singleton hostel for female because the demand is low)</li> </ul>	<ul style="list-style-type: none"> <li>• Male singletons</li> </ul>
<b>Period of residence in BSAs</b>	<ul style="list-style-type: none"> <li>• Have been living in BSAs continuously for more than six months</li> </ul>	<ul style="list-style-type: none"> <li>• Have been living in BSAs continuously for more than six months</li> </ul>
<b>Income level</b>	<ul style="list-style-type: none"> <li>• Able to pay the rent</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly income must not exceed \$9,900. Those applicants with a monthly income less than \$6,600 (the monthly income ceiling for public housing application) would be given priority.</li> </ul>
<b>Health condition</b>	<ul style="list-style-type: none"> <li>• No requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Successful applicants need to present a chest X-ray examination report indicating that they are not afflicted with tuberculosis.</li> </ul>
<b>Long-term housing plan</b>	<ul style="list-style-type: none"> <li>• No requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Have a long-term housing plan (subject to annual review)</li> </ul>

*Source: The AVS and the SA*

## **Control of admission of displaced BSA lodgers to singleton hostels**

3.12 To find out whether the admission procedures of these singleton hostels were complied with, Audit also examined the application forms of those displaced BSA lodgers living in the singleton hostels managed by the AVS and those living in the Sunrise House.

3.13 As at 31 July 1999, a total of 191 lodgers were living in the singleton hostels managed by the AVS. Of the 191 lodgers, only 150 application forms were available for audit inspection. The remaining 41 lodgers did not submit applications because they were living in the singleton hostels at the time when the AVS took over the management of the premises. Audit randomly selected 50 (33%) of the 150 application forms for examination. **The result of the audit examination indicated that there was room for improvement in the control over the admission of displaced BSA lodgers to singleton hostels managed by the AVS. Audit found that, based upon the admission criteria in Table 2 above:**

- (a) **10 lodgers (20%) provided no information in the applications about their period of residence in BSAs;**
- (b) **5 lodgers (10%) had not been living in BSAs continuously for more than six months; and**
- (c) **16 lodgers (32%) did not provide information in the applications indicating whether they were displaced from BSAs as a result of the implementation of the licensing scheme, or whether they were admitted to the singleton hostels on compassionate grounds (Note 9).**

3.14 As at 31 July 1999, a total of 112 lodgers were living in the Sunrise House. For admission to the Sunrise House, applicants submit their applications to the SA through the HAD. The application forms of all the lodgers were available for audit inspection. Audit randomly selected 35 (31% of the 112) application forms for examination. The result of the audit examination indicated that the admission of displaced BSA lodgers to the Sunrise House managed by the SA fully complied with the admission criteria in Table 2 above.

3.15 There is also room for improvement in providing management information to the HAD. Under the existing administrative arrangement, applicants may apply direct to the AVS for admission to the singleton hostels managed by the AVS. However, Audit noted that the AVS did

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**Note 9:** *At present, the HAD only considers admitting applicants on compassionate grounds to singleton hostels managed by the AVS, but not the Sunrise House. Audit noted that two applicants were admitted to the singleton hostels managed by the AVS on compassionate grounds.*

not forward periodically to the HAD reports on the compliance with the admission criteria of its singleton hostels. **As can be seen in paragraph 3.13 above, some of the lodgers did not meet the admission criteria and some of the information in the applications was incomplete. In order to ensure that the Government's policy on providing rehousing assistance to displaced BSA lodgers is properly followed, Audit considers that, for control and monitoring purposes, the HAD should require the AVS to forward to the HAD management information, such as periodic reports on the compliance with the admission criteria.**

### **Audit recommendations**

3.16 **Audit has recommended that the Director of Home Affairs should:**

- (a) **examine the rationale for the discrepancy in admission criteria between the singleton hostels managed by the AVS and the Sunrise House managed by the SA, and review whether the singleton hostel programme should provide assistance to all displaced BSA lodgers on an equal basis;**
- (b) **ensure that applicants provide adequate information in the applications for singleton hostels and that the information is thoroughly vetted to confirm that the applicants are eligible for rehousing under the singleton hostel programme; and**
- (c) **for control and monitoring purposes, require the management agencies to submit periodic reports on the compliance with the admission criteria of the singleton hostels so as to ensure that the Government's policy on providing rehousing assistance to displaced BSA lodgers is properly implemented.**

### **Response from the Administration**

3.17 **The Director of Home Affairs and the Secretary for Home Affairs have said that:**

- (a) **the financial resources provided for the singleton hostel programme amounted to about \$250 million, the bulk of which was not public money. It comprised mainly donations from the GCCF and contributions from the LDC. The HAD had returned five properties to the LDC in early 1999 (see paragraph 3.8 above) and had recently returned three properties to the GCCF. It is also actively considering whether it is possible to convert the purpose-built singleton hostel in High Street into other uses. Therefore, the actual total cost of the singleton hostel programme should be much lower;**

- (b) the singleton hostels under the management of the AVS are converted from domestic premises, whereas the Sunrise House managed by the SA is a purpose-built multi-storey hostel. Given the differences in the nature of the premises, and that they are managed by different agencies, it is not unreasonable that the admission criteria adopted by these two agencies are not totally identical. That said, it should be noted that:
- (i) the AVS's and the SA's admission criteria have many things in common. The singleton hostels managed by the AVS and the SA both target to serve single persons aged below 60, who are not eligible for compassionate housing assistance offered by the SWD, as well as those who have resided in a BSA continuously for over six months, and would be displaced as a result of the implementation of the BSAO;
  - (ii) the SA has decided to admit female lodgers as well, and is working on the necessary alteration and modification works; and
  - (iii) in a broader perspective, these singleton hostels provide a wide spectrum of choices of interim accommodation to meet the different needs of different displaced BSA lodgers; and
- (c) the HAD generally agrees with the audit recommendations mentioned in paragraph 3.16(b) and (c) above. At the inception of the singleton hostel programme, priority had to be given to providing accommodation to displaced BSA lodgers. Although in some cases, the lodgers were admitted while the vetting of information in the applications had yet to be completed, some of them were referrals from District Offices and the HAD had good knowledge of the background and particulars of such applicants. In future cases, all information in the applications submitted to both the AVS and the SA will be thoroughly and carefully vetted. The HAD has entrusted these two agencies with the day-to-day management of the singleton hostels, including the admission of lodgers. They have been given the discretion to consider and approve applications, while adhering to the agreed admission criteria in order to ensure that the Government's policy on providing rehousing assistance to displaced BSA lodgers is properly followed. Having said that, the HAD does maintain close liaison with these agencies regarding the implementation of the singleton hostel programme to ensure that the Government's policy objectives are met and, as necessary, to identify areas for improvement.

## PART 4: LOW OCCUPANCY OF SINGLETON HOSTELS

### Estimation of bedspace requirement

4.1 In January 1991, the Administration completed a territory-wide survey on BSAs. The survey results indicated that there were about 4,000 BSA lodgers. In February 1991, the Secretary for Home Affairs informed LegCo that the proposed licensing scheme would reduce the number of bedspaces in BSAs by about 50%. This would result in the displacement of about 2,000 BSA lodgers. In 1991, for planning purpose, the Administration assumed that:

- (a) about 2,000 lodgers would remain in situ in BSAs of improved living conditions after the introduction of the licensing scheme;
- (b) the SWD would provide assistance to about 1,000 displaced BSA lodgers for rehousing in alternative accommodation, including welfare institutions and public rental housing through compassionate rehousing arrangements; and
- (c) the Government would provide singleton hostel accommodation for about 1,000 displaced BSA lodgers.

4.2 In December 1993, the Administration completed another survey to ascertain the number of lodgers living in BSAs. The survey results indicated that the number of BSA lodgers had decreased to about 3,200 (from 4,000 in 1991). The survey also found that about 2,000 (62%) of the BSA lodgers were aged under 60 and were not eligible for rehousing assistance offered by the SWD if they were displaced and that, as mentioned in paragraph 4.1(a) above, some of these BSA lodgers would remain in situ in BSAs of improved living conditions after the introduction of the licensing scheme. In April 1994, the Secretary for Home Affairs estimated that the Government would have to rehouse altogether about 1,600 displaced BSA lodgers in welfare institutions, public rental housing, or singleton hostels provided by the HAD.

4.3 In mid-1996, the HAD reported that the number of BSA lodgers had further decreased to about 2,800. The HAD assumed that one-third of the BSA lodgers would be eligible for compassionate rehousing through the assistance of the SWD, another one-third would be able to find accommodation in licensable BSAs, and the remaining one-third (i.e. about 930) would have to be rehoused in singleton hostels provided by the HAD. The HAD planned to acquire an addition of 174 bedspaces (Note 10), taking into account:

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**Note 10:** *The planned addition of 174 bedspaces was calculated as follows:*

$$930 \text{ (estimated number of displaced BSA lodgers)} - 236 \text{ (number of vacant bedspaces)} - 600 \text{ (number of additional bedspaces)} + 80 \text{ (possible reduction in bedspaces)} = \underline{\underline{174 \text{ bedspaces}}}$$

- (a) the 236 vacant bedspaces in the singleton hostels in 1996;
- (b) about 600 additional bedspaces which would be available upon the completion of the Sunrise House and the singleton hostel in High Street, Sai Ying Pun; and
- (c) the possible reduction of 80 bedspaces in a singleton hostel which might cease operation in 1998.

Subsequently, the HAD purchased 15 premises which would provide 178 bedspaces for rehousing displaced BSA lodgers.

## **Audit observations**

### **Occupancy after full implementation of the licensing scheme**

4.4 The HAD expected that most of the bedspaces in the singleton hostels would be occupied by displaced BSA lodgers upon the full implementation of the licensing scheme. However, as shown in Appendix A, as at 31 July 1999 (i.e. one year after the full implementation of the licensing scheme):

- (a) the occupancy rate of the singleton hostels (Note 11) managed by the AVS was 49%;
- (b) the occupancy rate of the Sunrise House managed by the SA was 36%; and
- (c) the overall occupancy rate of the singleton hostels was 43% (i.e. only 303 bedspaces of the 702 bedspaces available were occupied).

4.5 The occupancy rate of the singleton hostels managed by the AVS increased from 34% as at 30 June 1998 (i.e. immediately before the full implementation of the licensing scheme) to 49% as at 31 July 1999. The increase was not due to an increase in the number of lodgers living in the singleton hostels managed by the AVS. Instead, it was due to the decrease in the number of bedspaces in the singleton hostels by 152, from 544 to 392 during that period, while the number of lodgers living in the singleton hostels had increased only by 7, from 184 to 191. The occupancy

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**Note 11:** *Occupancy rate of singleton hostels* =  $\frac{\text{Number of lodgers}}{\text{Number of available bedspaces}} \times 100\%$



rate of the Sunrise House had actually decreased by 4%, from its peak of 40% as at 31 January 1999 to 36% as at 31 July 1999.

4.6 Notwithstanding the low occupancy rate of the singleton hostels, on many occasions, the HAD had maintained that the occupancy rate would be improved. In September 1995, the HAD expected that the vacant bedspaces in all singleton hostels would soon be occupied after the full implementation of the licensing scheme. In January 1996, the HAD informed the Home Affairs Bureau (HAB) that some properties were deliberately kept vacant to cope with a possible influx of displaced BSA lodgers between 1996 and 1998. Regarding the Sunrise House, in April 1998, the Director of Home Affairs said that most of the bedspaces in the Sunrise House would be occupied when its operation commenced in mid-1998.

4.7 In June 1999, the Secretary for Home Affairs explained to the LegCo Panel on Housing that, because the statutory licensing scheme of the BSAs only came into full effect in July 1998, the HAD anticipated a rising occupancy rate of its singleton hostels in the near future. The HAD considered that sufficient vacant bedspaces should be reserved in the singleton hostels to meet any unforeseen demand for accommodation from displaced BSA lodgers. However, Audit observed that as at 31 July 1999, there were only three conditionally licensed BSAs and two unlicensed BSAs with a total of 89 lodgers (see paragraph 2.4(c) and (d) above). Assuming that all the 89 BSA lodgers would ultimately be displaced, the maximum number of bedspaces in the singleton hostels which had to be reserved should have been 89.

4.8 As can be seen from Figure 1 below, from April 1994 (when the BSAO was enacted) to March 1999, the occupancy rate of the singleton hostels was no more than 43%. Audit noted that as at 31 July 1999 (i.e. one year after the full implementation of the licensing scheme), the position did not improve as the occupancy rate was 43% (i.e. only 303 bedspaces of the 702 bedspaces available were occupied). Audit estimated that the financial implications, in terms of rental income for the vacant bedspaces, would amount to about \$4 million per annum (Note 12).

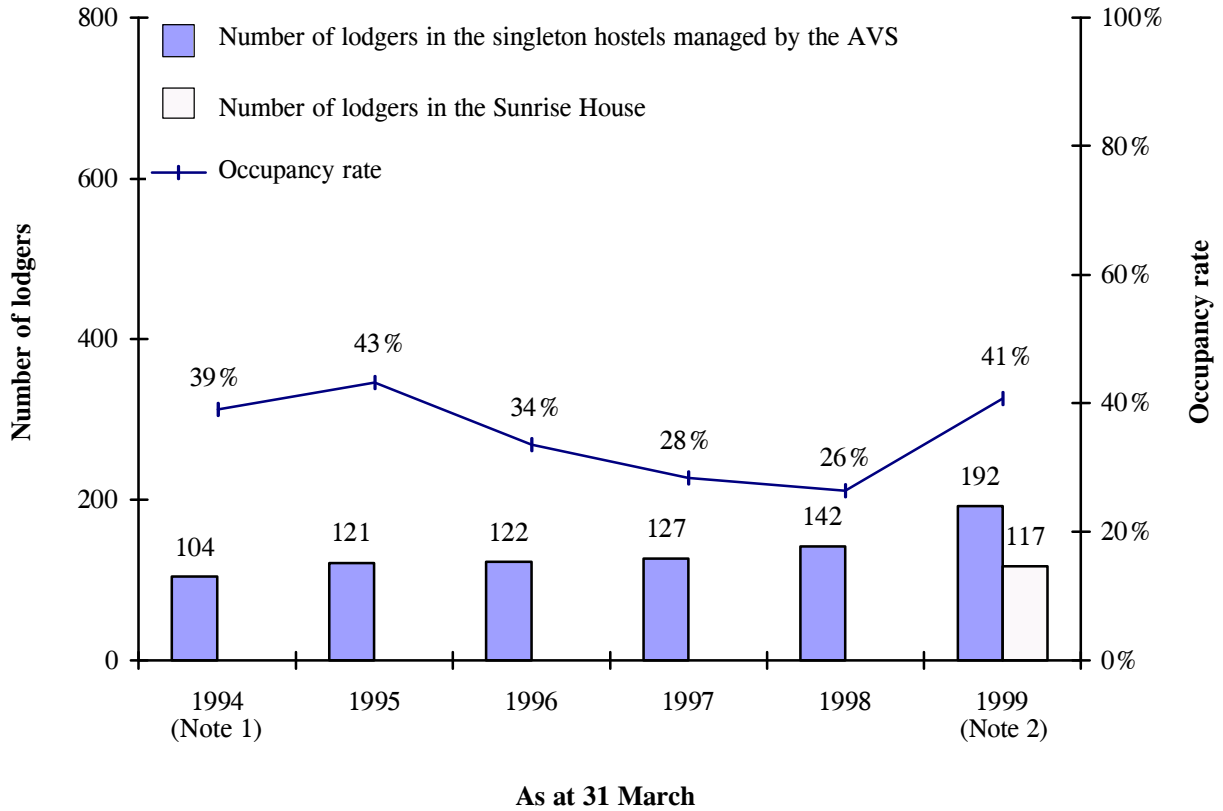
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**Note 12:** *The financial implications, in terms of annual rental income for the vacant bedspaces as at 31 July 1999, were estimated as follows:*

<i>Singleton hostels managed by the AVS</i>	<i>\$1,037,160</i>
<i>(\$430 monthly rent × 201 vacant bedspaces × 12 months)</i>	
<i>Sunrise House managed by the SA</i>	<i>\$3,041,280</i>
<i>(\$1,280 average monthly rent × 198 vacant bedspaces × 12 months)</i>	
	<u><u><i>\$4,078,440</i></u></u>
	<i>(say \$4 million)</i>

Figure 1

Occupancy rate of singleton hostels  
from April 1994 to March 1999



Source: Audit's analysis of HAD's records

Note 1: As the BSAO was enacted on 28 April 1994, the figures for 1994 showed the position as at 30 April.

Note 2: The Sunrise House commenced operation in September 1998.

4.9 As mentioned in paragraph 3.4 above, a purpose-built singleton hostel is under construction in High Street, Sai Ying Pun. Upon completion, this hostel will provide accommodation for 270 displaced BSA lodgers. **When this new purpose-built singleton hostel commences operation in 2001, it is likely that the overall low occupancy of the singleton hostels will worsen.**

4.10 In examining the occupancy records of the singleton hostels, Audit also observed that, of the seven premises which were leased from the LDC at a nominal rent of \$1 each (see paragraph 3.8 above), four premises which provided a total of 44 bedspaces had not been occupied by any BSA lodger since their handover to the AVS. **The average vacant period of these four premises was 4.3 years. The total cost of purchasing these four premises was \$5.3 million. These four premises were returned to the LDC in the first half of 1999.**

4.11 Similarly, as at 31 July 1999, eight purchased singleton hostels which provided a total of 96 bedspaces had not been occupied by any BSA lodger since their handover to the AVS. **The average vacant period of these eight singleton hostels was 2.5 years. The total cost of purchasing these eight singleton hostels was \$17.6 million. As at 31 July 1999, five of these eight singleton hostels had not yet been renovated for accommodation purposes.**

### **HAD's efforts to promote singleton hostels**

4.12 In view of the low occupancy of the singleton hostels, Audit observed that in mid-1999, the HAD planned a series of actions to promote the singleton hostels to suitable occupiers, as follows:

- (a) both the AVS and the SA would send dedicated staff to BSAs which faced imminent danger of closure so as to encourage the affected lodgers to apply for accommodation in the singleton hostels. Interested BSA lodgers would be invited to visit the singleton hostels to gain first-hand experience of the hostels' environment;
- (b) both the AVS and the SA would closely liaise with social workers, particularly those who were active in providing assistance to BSA lodgers, to clarify the house rules of the singleton hostels and the application procedures, as well as to solicit their assistance in disseminating the message that there were recent improvements in the living environment of the hostels;
- (c) both the AVS and the SA would organise open days for prospective applicants for singleton hostels to familiarise them with the hostels' facilities and environment and to clarify any misunderstanding about the house rules of the singleton hostels;
- (d) the HAD would assist both the AVS and the SA in putting up banners and posters in areas where BSAs abound so as to publicise the singleton hostel programme; and
- (e) District Offices of the HAD would coordinate the work of government departments in offering assistance to BSA lodgers in the districts. In particular, staff of the District Offices would conduct joint visits with the SWD to those BSAs which were likely to be closed down to offer assistance to the BSA lodgers, including advising them to apply for accommodation in the singleton hostels.

### **Audit recommendations**

4.13 **Audit has recommended that the Director of Home Affairs should:**

- (a) **critically estimate the actual demand for bedspace accommodation provided under the singleton hostel programme, having regard to the past experience that only a proportion of the BSA lodgers would be displaced and not all of them would choose to live in the singleton hostels;**
- (b) **if the occupancy rate of the singleton hostels remains at a low level, consider:**
  - (i) **as a temporary measure, renting out the excessive bedspaces to the public at the market price; and**
  - (ii) **as a long-term measure, reducing the number of singleton hostels and the number of bedspaces provided under the singleton hostel programme; and**
- (c) **critically assess whether the purpose-built singleton hostel in High Street is still required and, if not, examine whether it is possible to convert it into other uses.**

#### **Response from the Administration**

4.14 The **Director of Home Affairs** and the **Secretary for Home Affairs** have said that:

- (a) the objective of the singleton hostel programme is to provide alternative accommodation to BSA lodgers affected by the implementation of the BSAO, in order to honour the Government's undertaking that no BSA lodgers would be rendered homeless as a result of the licensing scheme. Full occupancy of the singleton hostels is not the primary objective of the programme. As a result of the HAD's efforts towards the implementation of the BSAO, many BSAs were able to comply with the building and fire safety standards required. The number of displaced BSA lodgers thus turned out to be lower than expected; and
- (b) the HAD spares no effort in ensuring that the singleton hostels meet the requirements and expectations of displaced BSA lodgers. However, there are many factors which give rise to the low occupancy of singleton hostels, such as the personal choice of the BSA lodgers. More importantly, given the Government's undertaking that no BSA lodgers would be made homeless as a result of the implementation of the BSAO, it is only prudent for the HAD to allow a safety margin at all times to cope with any unexpected surge in demand. That said, the HAD has been closely monitoring the demand for singleton hostel accommodation, and has been actively pursuing a series of initiatives to rationalise the singleton hostel programme and to boost the occupancy levels of the hostels. For instance, the HAD has altogether returned eight properties to the GCCF and the LDC in 1999. The Sunrise House will be open to both male and female lodgers. The HAD is also actively considering the feasibility of converting the singleton hostel in High Street, now under construction, into other uses. These illustrate that the audit recommendations mentioned in paragraph 4.13 above are being pursued.

## PART 5: PLANNING OF PURPOSE-BUILT SINGLETON HOSTELS

### Purpose-built singleton hostels

5.1 In addition to those singleton hostels which were converted from domestic premises, the Sunrise House, and the purpose-built singleton hostel under construction in High Street, Sai Ying Pun (see paragraphs 3.3 and 3.4 above), the HAD has planned to build two more purpose-built singleton hostels, one in Bailey Street, To Kwa Wan and another in Rock Hill Street, Kennedy Town (see paragraph 3.5 above). In reviewing the planning records of these two proposed singleton hostels, Audit observed that the HAD had not critically assessed the demand for additional bedspaces for displaced BSA lodgers. According to Audit's analysis, the number of bedspaces which would be made available to accommodate displaced BSA lodgers would far exceed the demand, even if the bedspaces of these two proposed singleton hostels are not taken into account (see paragraphs 5.2 to 5.11 below).

### Audit observations

#### Proposed purpose-built singleton hostel in Bailey Street

5.2 The proposed purpose-built singleton hostel in Bailey Street was designed to provide 270 bedspaces to be accommodated in four storeys of a proposed government complex in To Kwa Wan (the Bailey Street Project). The estimated construction cost of the proposed singleton hostel was \$75 million. In January 1998, the HAB approved the project brief for the Bailey Street Project. Audit noted that no specific information relating to the demand for additional bedspaces for displaced BSA lodgers was provided in the project brief. The only justification put forward in the project brief for building the singleton hostel was as follows:

“To meet the Chief Executive’s target to rehouse all displaced bedspace apartment dwellers, we need to proceed swiftly with this hostel to have the necessary accommodation ready in good time. This is the only realistic opportunity to provide the hostel both in the required time frame and at a suitable location.”

5.3 In January 1998, when the HAB approved the project brief for the Bailey Street Project, the total number of bedspaces which would be made available to accommodate displaced BSA lodgers (Note 13) was 977, excluding the 270 additional bedspaces which would be provided under the proposed singleton hostel in Bailey Street. The 977 bedspaces which would be made available would exceed the estimated 762 additional bedspaces required for accommodating displaced BSA lodgers (Note 14) by 215 bedspaces (see Appendix B).

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**Note 13:** *The total number of bedspaces which would be made available to accommodate displaced BSA lodgers comprised the vacant bedspaces in the HAD’s existing singleton hostels managed by the AVS, the bedspaces in the Sunrise House, and the 270 bedspaces in the purpose-built singleton hostel in High Street.*

**Note 14:** *The latest assumption made by the HAD in 1996 was that it needed to provide bedspace accommodation in singleton hostels to one-third of the lodgers living in BSAs which had not obtained full licences (see paragraph 4.3 above).*

5.4 In April 1998, a preliminary project feasibility study report on the Bailey Street Project, which included the proposed singleton hostel, was forwarded to the Secretary for the Treasury and the Secretary for Works for the purpose of including the project in Category C (Note 15) of the Public Works Programme. In the preliminary project feasibility study report, it was stated that:

“A singleton hostel is also urgently required by the HAD to rehouse lodgers of bedspace apartments who will be displaced in the very near future in the area.”

Like the project brief mentioned in paragraph 5.2 above, no specific information about the demand for additional bedspaces for displaced BSA lodgers was provided in the preliminary project feasibility study report.

5.5 In May 1998, when the HAB submitted its bid for the Bailey Street Project in the 1998 Capital Works Reserve Fund Resource Allocation Exercise, the total number of bedspaces which would be made available to accommodate displaced BSA lodgers was 977, excluding the 270 additional bedspaces which would be provided under the proposed singleton hostel in Bailey Street. **The 977 bedspaces which would be made available would exceed the estimated 735 additional bedspaces required for accommodating displaced BSA lodgers (see Note 14 above) by 242 bedspaces (see Appendix B).** In September 1998, the Star Chamber (Note 16) approved the upgrading of the Bailey Street Project to Category B (Note 15) of the Public Works Programme.

5.6 In August 1999, due to competing priorities with other essential capital works projects in the 1999 Capital Works Reserve Fund Resource Allocation Exercise, the Finance Bureau (FB) informed the HAB that the Bailey Street Project was retained in Category B of the Public Works Programme.

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**Note 15:** *Under the Public Works Programme, Category A projects are projects which are ready in all respects for tenders to be invited and for construction works to proceed, and which have approved project estimates; Category B projects are projects which are earmarked resources in the latest Resource Allocation Exercise, or which have been chosen for a start but are not yet in Category A; and Category C projects are projects which are accepted in principle to enable client departments to plan their requirements.*

**Note 16:** *The Star Chamber takes a strategic view on how best to allocate resources to meet the needs of the community. It is chaired by the Chief Secretary for Administration and its membership includes the Financial Secretary, the Secretary for the Treasury and the Secretary for the Civil Service.*

### **Proposed purpose-built singleton hostel in Rock Hill Street**

5.7 The proposed purpose-built singleton hostel in Rock Hill Street was designed to provide 300 bedspaces to be accommodated in eight storeys of a proposed government complex in Kennedy Town (the Rock Hill Street Project). The estimated construction cost of the proposed singleton hostel was \$115 million. In April 1999, the HAB approved the project brief for the Rock Hill Street Project. The justification put forward in the project brief for building the singleton hostel was to accommodate some 400 BSA lodgers in Central and Western District and neighbouring areas.

5.8 Audit noted that when the project brief for the Rock Hill Street Project was approved in April 1999, in Central and Western District and neighbouring areas, there were only 109 BSA lodgers living in BSAs which had not been fully licensed. However, there were already 20 vacant bedspaces in the HAD's existing singleton hostels in these districts, and the singleton hostel under construction in High Street would provide an additional 270 bedspaces. It was evident that, even if the 300 additional bedspaces under the proposed singleton hostel in Rock Hill Street were not taken into account, the provision of the 290 (i.e. 20 + 270) bedspaces in these districts would exceed the potential demand of the 109 BSA lodgers living in those not yet fully licensed BSAs in Central and Western District and neighbouring areas.

5.9 In April 1999, when the HAB approved the project brief for the proposed Rock Hill Street Project, the proposed singleton hostel in Bailey Street had already been included in the Public Works Programme as a Category B project (see paragraph 5.5 above). Even if the 270 bedspaces in the proposed singleton hostel in Bailey Street were not taken into account, and excluding the 300 additional bedspaces which would be provided under the proposed singleton hostel in Rock Hill Street, the total number of bedspaces which would be made available to accommodate displaced BSA lodgers would be as high as 720. The 720 bedspaces which would be made available would exceed the estimated 200 additional bedspaces required for accommodating displaced BSA lodgers (see Note 14 above) by 520 bedspaces (see Appendix B).

5.10 In June 1999, a preliminary project feasibility study report on the Rock Hill Street Project was forwarded to the Secretary for the Treasury and the Secretary for Works for the purpose of including the project in Category C in the Public Works Programme. In the same month, when the HAB submitted its bid for the Rock Hill Street Project in the 1999 Capital Works Reserve Fund Resource Allocation Exercise, the total number of bedspaces which would be made available to accommodate displaced BSA lodgers was 683. This number has excluded the 270 additional bedspaces which would be provided under the proposed singleton hostel in Bailey Street and the 300 additional bedspaces which would be provided under the proposed singleton hostel in Rock Hill Street. **The 683 bedspaces which would be made available would exceed the estimated 178 additional bedspaces required for accommodating displaced BSA lodgers (see Note 14 above) by 505 bedspaces (see Appendix B).**

5.11 In August 1999, due to financial constraints, the FB rejected the bid for the Rock Hill Street Project in the 1999 Capital Works Reserve Fund Resource Allocation Exercise. In the same month, the HAB informed the FB that the HAB was prepared to scale down the Rock Hill Street Project by deleting, among others, the proposed singleton hostel. In September 1999, the FB accepted the bid for funding the Rock Hill Street Project on the reduced scale.

### **Audit recommendations**

5.12 **Audit has recommended that the Director of Home Affairs should:**

- (a) **critically assess the demand for additional bedspaces for displaced BSA lodgers when proposing the construction of purpose-built singleton hostels; and**
- (b) **critically examine whether there is still a need for the purpose-built singleton hostel in Bailey Street and, if not, take action to withdraw the singleton hostel from the Bailey Street Project.**

### **Response from the Administration**

5.13 The **Director of Home Affairs** and the **Secretary for Home Affairs** have said that:

- (a) the HAD has been very closely monitoring the demand for additional bedspaces and, as necessary, has acted swiftly to make adjustments to the singleton hostel construction programme; and
- (b) in August 1999, the HAD decided to scale down the Rock Hill Street Project by deleting the proposed singleton hostel. In early November 1999, the HAD also decided not to pursue the construction of the proposed singleton hostel in the Bailey Street Project.



**Appendix A**  
(paragraph 4.4 refers)

**Occupancy rate of singleton hostels  
as at 31 July 1999**

District	Number of singleton hostels	Number of available bedspaces  (a)	Number of lodgers  (b)	Occupancy rate  $(c) = \frac{(b)}{(a)} \times 100\%$
<b>Singleton hostels managed by the AVS</b>				
Eastern	8	106	51	48%
Kwun Tong	4	36	18	50%
Sham Shui Po	4	41	25	61%
Wan Chai	2	20	3	15%
Yau Tsim Mong	15	189	94	50%
<b>Sub-total</b>	<b>33</b>	<b>392</b>	<b>191</b>	<b>49%</b>
<b>Singleton hostel managed by the SA</b>				
Sham Shui Po	1	310	112	36%
<b>Overall</b>	<b>34</b>	<b>702</b>	<b>303</b>	<b>43%</b>

*Source: Audit's analysis of HAD's records*

**Estimated number of surplus bedspaces in singleton hostels at various planning stages of the proposed singleton hostels in Bailey Street and Rock Hill Street**

<b>Month</b>	<b>Planning stage</b>	<b>Number of bedspaces which would be made available (Notes 1 and 4)</b>	<b>Total number of lodgers in BSAs not fully licensed (Notes 2 and 4)</b>	<b>Estimated number of lodgers to be rehoused in singleton hostels (Notes 3 and 4)</b>	<b>Estimated number of surplus bedspaces</b>
		<b>(a)</b>	<b>(b)</b>	<b>(c) = (b) × <math>\frac{1}{3}</math></b>	<b>(d) = (a) - (c)</b>
January 98	HAB approved project brief of the Bailey Street Project	977	2,286	762	215
April 98	Architectural Services Department submitted preliminary project feasibility study report to FB for including the Bailey Street Project as a Category C project	978	2,218	739	239
May 98	HAB submitted bid in the 1998 Capital Works Reserve Fund Resource Allocation Exercise for the Bailey Street Project	977	2,204	735	242
September 98	Star Chamber approved the upgrading of the Bailey Street Project to Category B	940	1,125	375	565
April 99	HAB approved project brief of the Rock Hill Street Project	720	599	200	520

Month	Planning stage	Number of bedspaces which would be made available (Notes 1 and 4)	Total number of lodgers in BSAs not fully licensed (Notes 2 and 4)	Estimated number of lodgers to be rehoused in singleton hostels (Notes 3 and 4)	Estimated number of surplus bedspaces
		(a)	(b)	(c) = (b) × $\frac{1}{3}$	(d) = (a) - (c)
June 99	(a) HAB submitted bid in the 1999 Capital Works Reserve Fund Resource Allocation Exercise for the Rock Hill Street Project	683	533	178	505
	(b) Architectural Services Department submitted preliminary project feasibility study report to FB for including the Rock Hill Street Project as a Category C project				

Source: Audit analysis of HAB's and LA's records

Note 1: The number of bedspaces which would be made available comprised the vacant bedspaces in the HAD's existing singleton hostels managed by the AVS, the bedspaces in the Sunrise House, and the 270 bedspaces in the singleton hostel at High Street.

Note 2: The lodgers living in the HAD's singleton hostels were not included.

Note 3: Based on the HAD's assumption, the number of lodgers which needed to be rehoused in the HAD's singleton hostels was taken as one-third of the number of lodgers living in BSAs not fully licensed (see Note 14 in paragraph 5.3 above).

Note 4: The figures were as at the beginning of the month.

## Appendix C

### Acronyms and abbreviations

AVS	Agency for Volunteer Service
BSA	Bedspace apartment
BSAO	Bedspace Apartments Ordinance
FB	Finance Bureau
GCCF	General Chinese Charities Fund
HAB	Home Affairs Bureau
HAD	Home Affairs Department
LA	Office of the Licensing Authority
LDC	Land Development Corporation
LegCo	Legislative Council
SA	Salvation Army
SWD	Social Welfare Department