

Youth Hostel Scheme (YHS)

Subsidy Scheme for Using Hotels and Guesthouses as Youth Hostels

Guidelines to Application

Policy Background and Vision

1. The Chief Executive announced in the 2022 Policy Address that the Government would explore ways to increase the supply of youth hostels, including subsidising non-governmental organisations (“NGOs”) to rent suitable hotels and guesthouses for use as youth hostels (the “**Subsidy Scheme**”) with a target of providing about 3 000 additional hostel places within five years. The Youth Development Blueprint promulgated recently also refers to this Subsidy Scheme.
2. Different stakeholders are expected to benefit under the Subsidy Scheme:
 - (a) Young people: the Subsidy Scheme will increase the potential supply of youth hostel places, providing more diversified options for eligible young people who wish to have their own living spaces. When compared with the existing arrangement of constructing youth hostels on NGOs’ sites, the Subsidy Scheme should be able to provide more hostel places of greater variety, and in different locations in a shorter period of time, thereby benefitting young people. In addition, the Government and the NGOs managing the youth hostels will provide youth tenants with various support and training activities, such as entrepreneurial training, mental and physical development and workplace culture, so that they could achieve self-enrichment and widen their personal and social networks during their stay at the hostels with a view to embracing the challenges in their stages of life ahead;
 - (b) Hotel and guesthouse industries: the Subsidy Scheme enables hotel and guesthouse owners and operators to participate in and support the Youth Hostel Scheme (“**YHS**”), which provides the industries with a relatively stable source of finance amidst the challenging economic environment and the uncertain outlook on one hand, and enables the industries to participate in youth development work and fulfill corporate social responsibilities on the other. Youth tenants’ vibrancy, creativity and passion to serve the community will also add value to the relevant hotels and guesthouses, making youth hostel facilities welcomed by the community;

- (c) Neighbourhood community: through requiring youth tenants under the Subsidy Scheme to commit to providing community or volunteer services to the neighbourhood community, such as providing tuition for children from grassroots families or cultivating their interests in areas such as music, arts or sports, the Subsidy Scheme could nurture youth tenants' sense of belonging to the society and responsibility as well as cultivate their sense of ownership. Meanwhile, the community where the youth hostel is located will also benefit from the community services provided by youth tenants. This helps the underprivileged obtain direct support from the young people and establish a wider peer network, which is conducive to building a harmonious society and increasing social capital in the long run; and
- (d) NGOs: the Subsidy Scheme provides NGOs with an additional platform to reach out to young people and offer tailored services to them. One of the key features of operating youth hostel projects is that the NGOs will have a long period of time to get in touch and interact with the young tenants. During the operation of youth hostels, the NGOs could be creative in capitalising on young people's resources and talent to serve the local community. Meanwhile, they could also make good use of YHS to provide services that meet the needs of individual young people and explore new modes of service delivery, such as financial management education, using hotel or guesthouse facilities for trial operation of businesses or organising community-bonding projects, etc.

Mode, Scope and Amount of Subsidy

3. Role of the Government: To provide subsidy to the NGOs on a reimbursement basis for them to rent¹ hotels and guesthouses for use as youth hostels and carry out minor improvement/furnishing and purchase equipment as necessary for the daily use of youth tenants, i.e. the Government will not provide direct subsidy to hotels or guesthouses. The scope of the subsidy also covers NGOs' administrative expenses, such as those related to tenant recruitment, tenancy management, auditing fees and other operating costs, as well as the expenses for providing value-added and community services to tenants and the community, etc. The subsidy to be allocated to each approved project will depend on the merits of the proposal submitted by the project applicant and a

¹ Hotel/guesthouse owners/operators can provide the rooms and communal facilities of the hotels/guesthouses to the NGOs for use as youth hostels by the way of a tenancy or a licence. Any references to a tenancy in the guidelines can cover matters related to a tenancy or a licence.

number of project-specific factors. In general, the average amount of monthly subsidy would be around \$5,500 per room.

4. The hotel/guesthouse operators/owners have to ensure that the operation of the youth hostels is in compliance with all Hong Kong laws and regulations (including but not limited to the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region). In addition, their roles are as follows -

- (a) Hotel/guesthouse operators/owners: To let the rooms and communal facilities of the hotels/guesthouses to the NGOs for use as youth hostels. Hotel/guesthouse operators/owners and NGOs can identify suitable partners and discuss about the terms of cooperation. During the tenancy period, the hotel/guesthouse operators/owners must obtain valid licences for the hotels/guesthouses, and shall continue to perform the duties as property owners and be responsible for the general maintenance and management of the premises. If alteration or refurbishment works (such as alteration of the bedspace or layout of the rooms) are involved during the conversion of the hotels/guesthouses into youth hostels which require approval from the relevant authority, the licence holders of the hotels/guesthouses shall submit relevant applications to the Office of the Licensing Authority under the Home Affairs Department.
- (b) NGOs: To rent rooms from hotels/guesthouses for use as youth hostels and be responsible for tenancy management matters including recruitment of youth tenants. The Subsidy Scheme shall operate on a non-profit-making and self-financing basis. The NGOs are expected to use the funding from the Subsidy Scheme and the rents collected from youth tenants as their major sources of income to pay off the rents to the hotel or guesthouse owners, their own administrative expenses², such as those related to tenant recruitment, tenancy management, auditing fees and other operating costs, as well as the expenses for providing value-added and community services to tenants and the community.

5. Elements of youth community services: Youth tenants shall participate in no less than 200 hours of community or volunteer services to the neighbourhood community each year, such as providing tuition for children from grassroots families or cultivating their interests in areas such as music, arts or sports. If youth tenants cannot meet the requirement of the relevant hours

² In general, the administrative expenses of NGOs shall not account for more than 15% of the total amount of subsidy.

without reasonable grounds, NGOs should not renew their tenancy agreement unless there are exceptional circumstances. Each NGO shall specify in its application form the types of activities it will organise, and consider listing the 200 hours of participation in community or volunteer services as one of the mandatory conditions for young people to apply for youth hostel places. NGOs shall ensure youth tenants fulfill the required hours of community or volunteer services, and the Government shall have absolute discretion to consider deducting the amount of subsidy which would otherwise be payable if the NGOs fail to do so.

Basic Eligibility Criteria

6. All the requirements set out below in this section must be satisfied in order to be eligible for participation in the Subsidy Scheme:

Hotels or guesthouses

7. Each hotel or guesthouse must hold a valid hotel licence or guesthouse licence issued under the Hotel and Guesthouse Accommodation Ordinance (Cap. 349).

8. Making reference to the room size requirements of the existing YHS (the Net Operational Floor Areas of each hostel unit are expected in the range of 10 – 15 m² for a single room and 15 – 20 m² for a double room), NGOs and hotels/guesthouses can make their own recommendations on the size(s) of rooms to be used as youth hostels.

NGOs

9. Each NGO must meet the following eligibility criteria:

(a) The NGO must be:

(i) a charitable institution or trust of a public character exempt from tax under section 88 of the Inland Revenue Ordinance (Cap. 112);
or

(ii) a company incorporated under the Companies Ordinance (Cap. 622) or the former Companies Ordinance (Cap. 32) as limited by guarantee whose objects and powers do not include distribution of profit to members; or

- (iii) a non-profit-making society registered or body established under any legislation in Hong Kong³; or
- (b) In the form of a social enterprise⁴.

Eligibility Criteria and Tenancy Period of Youth Tenants

10. The NGOs shall ensure that a youth applicant fulfills the following basic eligibility criteria during tenant recruitment:

- (a) he or she is a working youth aged between 18 and 30 (including self-employed persons);
- (b) the income level of a one-person applicant does not exceed the 75th percentile⁵ of the monthly employment earnings of employed persons aged between 18 and 30 (currently at \$26,000) and the income level of a two-person applicant does not exceed twice the level of a one-person applicant;
- (c) the total net asset⁶ of a one-person applicant and a two-person applicant does not exceed \$390,000 and \$780,000 respectively; and
- (d) he or she does not solely or jointly or through a company own any residential property in Hong Kong.

³ In that case, the project applicant must provide a certificate of its registration or establishment issued under the relevant ordinances, and a certified copy of its constitutional document which includes an express clause specifying that no profits will be distributed to its members, directors, shareholders, employees or any other persons.

⁴ There is no statutory definition of social enterprise (SE) in Hong Kong laws and regulations. In general, an SE is a business to achieve specific social objectives such as providing services or products needed by the community, creating employment and training opportunities for the socially disadvantaged and protecting the environment. Its profits will be principally reinvested in the business for the social objectives it pursues. We expect an SE making an application should be an institution listed under the “SEs or SE projects funded by the Government” compiled by the Home Affairs Department (<https://www.sehk.gov.hk/en/search.php>), or the “Social Enterprise Directory” compiled by the Social Enterprise Business Centre (<https://socialenterprise.org.hk/en/sedb>) or the “Social Enterprises Endorsement Mark” compiled by the Hong Kong General Chamber of Social Enterprises Limited (<https://seemark.hk/>).

⁵ The income level will be adjusted having regard to the result of the annual General Household Survey conducted by the Census and Statistics Department.

⁶ The asset levels will be adjusted annually having regard to the changes of the Composite Consumer Price Index.

11. The first tenancy entered into with a youth tenant must be for a term of not less than two years (in which the first year must be a fixed term), which may be renewed provided that the total period of tenancy comprising the original term plus any renewal must not exceed an aggregate of five years (including tenancies in other youth hostels).

12. To provide flexibility for NGOs in tenant recruitment, NGOs may admit tenants who cannot comply with any one or more of the eligibility criteria above for up to 5% of the total number of tenants of the subject hostel. NGOs shall designate an authority at an appropriate rank to approve these applications, keep proper documentation for scrutiny by the Home and Youth Affairs Bureau (“HYAB”), and include the related information in the annual reports for public monitoring.

Operational Arrangements

13. Interested hotels or guesthouses should submit a registration form⁷ to HYAB.

14. HYAB will compile a list of qualified participating hotels and guesthouses upon checking their fulfillment of the basic eligibility criteria⁸. Meanwhile, interested NGOs can identify suitable partnering hotels/ guesthouses, conduct inspection as necessary and discuss with the qualified hotels/guesthouses about the terms of cooperation. We encourage the hotel and guesthouse industries and the NGOs to proactively pair up on their own in order to identify partners that share the same vision for cooperation.

15. The NGOs shall enter into Memoranda of Understanding with the hotel/guesthouse owners and operators (if applicable) after they have reached a consensus. The NGOs can then submit proposals to HYAB⁹.

16. Priority will be given to proposals with a participation period of five years. Subject to availability of resources, we will also consider proposals less

⁷ The registration form could be found at the following website:
https://www.hyab.gov.hk/file_manager/en/documents/policy_responsibilities/Social_Harmony_and_Civic_Education/youth_hostel_scheme_registration_form.pdf

⁸ The checking includes validity of the hotel or guesthouse licences, compliance with the conditions of land leases and the deeds of mutual covenant, and/or other documents under which the owners/operators hold/use the hotels or guesthouses.

⁹ The application form could be found at the following website:
https://www.hyab.gov.hk/file_manager/en/documents/policy_responsibilities/Social_Harmony_and_Civic_Education/youth_hostel_scheme_application_form.pdf

than five years long but with the second-longest participation period and so on, until we finish subsidising no less than 3 000 hostel places. The NGOs and the hotels/guesthouses should not terminate the operation of youth hostel prior to the approved period. If the NGOs and the hotels/guesthouses intend to terminate its operation, they shall notify HYAB of their intention at least 1 year in advance and shall give sufficient prior notice to youth tenants. The NGOs should specify the relevant arrangements in their applications submitted to HYAB (in the “exit plan” section). The NGOs and hotels/guesthouses shall also specify the arrangements in the relevant tenancy agreements.

17. HYAB will consider the NGOs’ funding applications with the granted amounts to be assessed on individual merits with reference to the NGOs’ overall operation, including but not limited to the proposed amounts to be paid by youth tenants as rents (the rents to be collected from youth tenants shall not exceed 60% of the market rental levels, which are estimated with reference to residential properties in the same districts with comparable size and conditions), the period and scope of rental with the hotels/guesthouses (i.e. priority will be given to proposals with a five-year period and covering the entire hotel/guesthouse premises), the details of the value-added and social services proposed for youth tenants and the community, the locations and conditions of the proposed premises, reasonable administrative expenses¹⁰ of the NGOs and other expenditures.

18. Upon approval of the projects, the Government will enter into funding agreements with the NGOs. Under the funding agreements, the NGOs must:

- (a) submit operation plans to HYAB prior to the commencement of the projects’ operation;
- (b) be responsible for the tenancy management matters;
- (c) adhere to the guidelines published by HYAB from time to time;
- (d) ensure that the operation of the youth hostels is in compliance with all Hong Kong laws and regulations (including but not limited to the Law of the People’s Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region);
- (e) provide relevant community or volunteer services to youth tenants and monitor their participation;

¹⁰ The administrative expenses include those related to tenant recruitment, tenancy management, social services for tenants, auditing fees and other operating costs etc.

- (f) prepare and submit regular reports on the progress and spending positions for HYAB's scrutiny throughout the period in which they participate in the Subsidy Scheme;
- (g) keep a proper set of books and records for their projects receiving funding support under the Subsidy Scheme and provide the same for inspection when requested; and
- (h) submit audited reports certified by independent auditors annually. The relevant reports shall list out the community or volunteer services and the value-added activities organised by the NGOs for youth tenants and review their effectiveness. The reports would also be uploaded onto HYAB's designated website for public's reference.

19. In general, the amount of subsidy will be provided based on the actual number of tenants¹¹. Each funding agreement will include a mechanism to suspend the provision of subsidy, cease a project or require an NGO to refund the amount provided in case of unsatisfactory project progress or breach of the terms or conditions of funding agreement.

Monitoring and Control

20. An internal assessment panel established by HYAB will be responsible for vetting applications and overseeing the implementation of the Subsidy Scheme. The assessment panel will assess the technical and financial aspects of the proposed projects, and the benefits that the projects will bring to youth development as well as the neighbourhood community, etc. It will ensure that the amount of subsidy granted to each of the projects is in line with the principle of effective use of resources thereby achieving good value for money and the policy objectives of the Subsidy Scheme. The assessment panel will also look into the experience and capability of applicants, the content about the hardware and software for operation of the youth hostels in their proposals, the timeframe required by them in implementing the projects, etc. Specifically, the factors to be considered by the assessment panel include (but not limited to) –

- (a) the background, expertise and relevant experience of the applicants;

¹¹ Flexibility will be provided to NGOs. For example, in the circumstances that rooms become vacant for a short and reasonable period (e.g. two weeks) due to the moving-out of existing youth tenants and the moving-in of new tenants, the rooms will not be counted as vacant.

- (b) the period and scope of the rental with the hotels/guesthouses (i.e. priority will be given to proposal with a five-year period and covering the entire hotel/guesthouse premises);
- (c) the conditions of the youth hostels, such as the locations and the transport facilities nearby, the room size(s) and the basic hostel facilities;
- (d) financial considerations, such as the estimated rental to be collected from young people, the operational expenses required and the cost-efficiency;
- (e) the provision of value-added services and activities to youth tenants, such as whether the activities could enrich young people's understanding of our Country and the opportunities brought by the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and whether the activities could help youth tenants establish a sense of financial management, pursue self-enrichment and talent development, as well as nurture young people's positive thinking;
- (f) elements of youth community services, such as the quantity, creativity and diversity of the community and volunteer services, and whether the services could nurture youth tenants' sense of belonging to the society and responsibility thereby cultivating their sense of ownership; and
- (g) implementation timetable, such as whether the projects could be launched and whether tenants could move in shortly.

We expect that the subsidised hostel places would be situated in areas with transport facilities to facilitate youth tenants to commute. On the geographical distribution, having too many hostel places in a certain district would be avoided so as to cater for the needs of young people from different districts. In the course of the assessment, we will take into account the above criteria and factors for consideration, including the locations, distribution and the overall planning of the youth hostels, in order to have a balanced and holistic arrangement.

Others

21. The NGOs are required to make declaration of any conflict of interest with hotels/guesthouses in the application. If the NGOs, members of Board of directors or staff have any direct or indirect interest in any company which has business dealings with the hotels/guesthouses for use as youth hostels under application, they shall make a declaration and seek approval from HYAB.

22. The NGOs and hotels/guesthouses shall comply with the Competition Ordinance (Cap. 619) and shall not engage in price-fixing and/or sharing of sensitive information which may prevent, restrict or distort competition.

Submission of Applications

23. The Subsidy Scheme is open for application all year round, subject to the availability of funds under the Subsidy Scheme.

24. Applications (including a duly completed application form (in original) and all the required documents) should be submitted either by post or in person to the following correspondence address, or by email to the following email address:

Correspondence address:

Youth Hostel Scheme – Subsidy Scheme for Using
Hotels and Guesthouses as Youth Hostels
13/F, West Wing, Central Government Offices
2 Tim Mei Avenue, Tamar, Hong Kong

Email address: yhs@hyab.gov.hk

**Home and Youth Affairs Bureau
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