

ITEM FOR FINANCE COMMITTEE

HEAD 159 GOVERNMENT SECRETARIAT : DEVELOPMENT BUREAU (WORKS BRANCH)

Subhead 700 General non-recurrent

New Item “Revitalising Historic Buildings Through Partnership Scheme”

Members are invited to approve a new commitment of \$100 million for implementing the Revitalising Historic Buildings Through Partnership Scheme.

PROBLEM

We need funding to support the operation of social enterprises (SEs)¹ in historic buildings under the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) and to meet the expenses directly related to the Scheme which are non-recurrent and non-works related in nature.

PROPOSAL

2. The Secretary for Development proposes to create a new non-recurrent commitment of \$100 million to meet the non-works related expenditure in implementing the Revitalisation Scheme for five years.

JUSTIFICATION

3. As an important component in the package of initiatives underpinning the Government’s heritage conservation policy, the Chief Executive announced in his 2007-08 Policy Address the launching of the Revitalisation Scheme applicable to government-owned historic buildings. The objectives of the Revitalisation Scheme are as follows –

/(a)

¹ SEs are businesses with primarily social objectives whose surpluses are mostly re-invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

- (a) to preserve and put historic buildings into good and innovative use;
- (b) to transform historic buildings into unique cultural landmarks;
- (c) to promote active public participation in the conservation of historic buildings; and
- (d) to create job opportunities in particular at the district level.

4. Under the Revitalisation Scheme, non-profit-making non-governmental organisations (NGOs) will be invited to submit proposals on a competitive basis to revitalise these historic buildings and the proposed usage should take the form of a SE. We propose to adopt the SE approach on grounds that –

- (a) many vacant historic buildings will require a very significant sum to renovate and maintain and will therefore have limited commercial viability;
- (b) NGOs are not short of ideas in running SEs over these years with or without Government financial support and the Revitalisation Scheme would provide an additional impetus to encouraging greater entrepreneurial spirit amongst them;
- (c) with the adaptive re-use being of a non-profit-making nature, the Government would find it easier to render funding and various support to the occupants to revitalise the buildings according to their adaptive re-use proposals, thereby achieving quicker, more visible results; and
- (d) promotion of SEs to help create jobs at the local level is itself another pledge of the Chief Executive in his Election Manifesto and in line with community aspiration to help promote self-reliance amongst those in need.

Modus Operandi of the Revitalisation Scheme

Coverage

5. The first batch of seven buildings to be included in the Revitalisation Scheme is as follows –

/(a)

- (a) Old Tai Po Police Station;
- (b) Lui Seng Chun;
- (c) Lai Chi Kok Hospital;
- (d) North Kowloon Magistracy;
- (e) Old Tai O Police Station;
- (f) Fong Yuen Study Hall; and
- (g) Mei Ho House.

Encl. 1 For details of these buildings, please see Enclosure 1.

6. The proposed non-recurrent commitment will not just cover the first batch of seven buildings. Subject to the success of these seven buildings, we will launch subsequent batches to include more historic buildings under the Revitalisation Scheme, which will also be covered by the proposed non-recurrent commitment. Besides Government-owned buildings, we may also include privately-owned buildings to be donated to Government as gifts (although such buildings may have yet to be under Government ownership) under the Revitalisation Scheme.

Eligibility of applicants

7. Non-profit-making organisations (NPOs) that have acquired charitable status under Section 88 of the Inland Revenue Ordinance would be eligible to submit proposals. To accommodate interested organisations that may not already possess the requisite charitable status, we will allow NPOs that have formally submitted an application to the Inland Revenue Department to apply but their application may only be taken forward into the next stage, roughly after a few months after the closure of application, if by then they have received approval for the requisite charitable status.

Financial support

8. We would provide financial support including –

/(a)

- (a) a one-off capital grant to cover the cost for major renovation to the buildings, in part or in full. The level of this one-off grant will be considered on a case-by-case basis depending on the size and proposed usage of the building. We will seek approval for the capital works funding required from the Public Works Subcommittee (PWSC)/Finance Committee (FC) as necessary;
- (b) nominal rental for the building; and
- (c) if justified, a one-off grant to meet the starting costs and operating deficits (if any) of the SEs for a maximum of the first two years of operation on the prerequisite that the SE proposal is projected to become self-sustainable after this initial period. As regards the level of grant to individual projects, we have originally pitched the financial ceiling at \$3 million in line with the Home Affairs Department's Enhancing Self-reliance Through Partnership Programme² (伙伴倡自強社區協作計劃). However, taking into account the large size of some of the historic buildings to be revitalised and the concerns expressed by NPOs which have been consulted on the Scheme, we now propose to set the financial ceiling per building/project at \$5 million.

Assessment of applications

9. The applications will be assessed according to the following major criteria –
- (a) how the historical significance of the buildings can be brought out effectively;
 - (b) how the historic buildings would be preserved;
 - (c) how the community would be benefited, i.e. the social value of the proposal, e.g. jobs created at the district level, benefits to the local community or community at large such as from an educational, cultural, art or medical point of view; and
 - (d) how the SE would operate in terms of financial viability, i.e. the business plan.

/10.

² The Programme seeks to promote sustainable poverty prevention and alleviation efforts at the district level that help enhance self-reliance, targeting socially disadvantaged groups. Instead of providing welfare or short-term relief, the Programme aims at increasing the skills and capacities of the employable and providing opportunities for the disadvantaged to upgrade themselves and to be effectively integrated into the community. The funding ceiling for each approved project is \$3 million.

10. A vetting committee will be set up to examine the proposals. It will comprise representatives from relevant Government departments (such as the proposed Commissioner for Heritage's Office, Antiquities and Monuments Office, Home Affairs Department, Architectural Services Department, Buildings Department, etc.), member(s) of the Antiquities Advisory Board, experts in the fields of heritage conservation and SE, etc.

11. There will be two rounds of selection. In the first round, applicants have to submit proposals as explained in paragraph 9 above. On the technical front, applicants will be required to submit a conceptual plan comprising the initial design proposal, schedule of accommodation and rough indication of cost. In the second round, the applicant (or applicants if appropriate) selected will be requested to provide further information including detailed technical submissions, cost estimates with detailed breakdowns and cash flow statements showing income and expenditure during the initial years of operation.

Support and monitoring

12. We will provide the following support to NPOs to facilitate the implementation of their revitalisation proposal –

- (a) information on the historical background and conservation guidelines for each of the buildings so that applicants can understand what needs to be conserved;
- (b) advisory service in the areas of heritage conservation, land use and planning, building architecture, and compliance with Buildings Ordinance; and
- (c) continued Government's responsibility for funding the maintenance and repair of the structural parts of and slopes adjacent to the buildings after they have been let to the successful NGOs.

13. A multi-disciplinary Revitalisation Scheme Secretariat, comprising about 12 non-civil service contract staff such as historians, architects, surveyors, managerial and accounting personnel, etc. will be set up to implement the Revitalisation Scheme and provide assistance to applicants.

14. Successful applicants will be required to enter into agreement with the Government. The agreement(s) will set out the responsibilities of the SEs. We will closely monitor their operation so as to ensure their compliance with the terms and conditions set out in the agreement(s) and that they have achieved their intended objectives. For instance, the SEs will be required to submit annual reports and audited accounts to the Revitalisation Scheme Secretariat for monitoring purpose.

Implementation Schedule

15. We aim to invite applications to operate under the Revitalisation Scheme in February 2008 and thereafter arrange open days for interested NPOs to view the historic buildings. An implementation schedule showing various major steps is at Enclosure 2.

Encl. 2

FINANCIAL IMPLICATIONS

Non-recurrent Expenditure

16. To meet the non-works expenditure of the selected proposal under the Revitalisation Scheme, notably to provide grants of no more than \$5 million each to selected NPOs for SE operation in the historic buildings and other ad hoc expenses directly related to the Scheme³, we propose to create a non-recurrent commitment of \$100 million. Based on current estimate and the \$5 million ceiling, this should provide adequate funding for at least a second batch of buildings to be implemented within the coming five years. The estimated cash flow requirement of the proposal is as follows –

Financial Year	\$ million
2008-09	3
2009-10	20
2010-11	22
2011-12	25
2012-13	30
Total	100

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³ Such as conducting historic research into individual buildings, mounting publicity such as exhibitions and printing of promotional materials to promote the Scheme and maintaining the buildings yet to be allocated under the Scheme and arranging open days for those buildings.

17. If Members approve the proposal, we will earmark sufficient funds in the Estimates of the respective financial years for implementing the Revitalisation Scheme.

Capital Works Expenditure

18. Upon selection of a proposal, the historic building will be renovated in accordance with the proposal received. The Government will fund the capital cost in part or in full and has earmarked \$1 billion under the Capital Works Reserve Fund for this purpose. The renovation will be carried out by private architects/consultants to be engaged by the applicants (with assistance from Architectural Services Department and Antiquities and Monuments Office where necessary). We will seek approval for the capital works funding for these works and for refurbishment between tenancies (or during long tenancies) from PWSC/FC as necessary.

Recurrent Expenditure

19. The administration of the Scheme will be one of the main duties of the proposed Commissioner for Heritage (C for H) and his office. We will separately seek approval of the Establishment Subcommittee/FC of the proposed creation of an Administrative Officer Staff Grade C to assume the post of the C for H.

20. It is estimated that the additional recurrent cost required for the multi-disciplinary Revitalisation Scheme Secretariat mentioned in paragraph 13 above is about \$5 million and will be met by the Works Branch's existing resources.

PUBLIC CONSULTATION

21. Since the Policy Address on 10 October 2007, the Administration has provided briefings on the new initiatives on heritage conservation (including the proposed Revitalisation Scheme) to various bodies such as the Antiquities Advisory Board, Urban Renewal Authority, Real Estate Developers Association, professional institutes as well as the general public. Furthermore, interviews on media programmes have been conducted.

22. We organised a briefing for NGOs on 8 November 2007 specifically to introduce and solicit views on the Revitalisation Scheme. More than 200 participants from around 100 NGOs and professional bodies attended the briefing. Many of the NGOs attended the briefing expressed interest on the Scheme. Some of them have put forward suggestions on the details of the Scheme for Government's consideration. We have carefully studied their views, and suitably refined the proposal. The revised proposal has been reflected in this paper.

23. We consulted the Legislative Council Panel on Home Affairs on 2 January 2008. Members supported the introduction of the proposed Revitalisation Scheme.

BACKGROUND

24. The Chief Executive set out in his 2007-08 Policy Address the Government's direction to pursue sustainable conservation through revitalisation, rather than preservation alone, so as to maximise the economic and social benefits of historic buildings. A new scheme would be introduced to allow NGOs to apply for adaptive re-use of selected government-owned historic buildings, with a view to transforming the historic buildings creatively into unique cultural landmarks. The Government would provide appropriate financial support to ensure that the scheme is practicable.

Development Bureau
January 2008

**List of first batch of buildings to be included under the
Revitalising Historic Buildings Through Partnership Scheme**

The first batch of buildings to be included in the Revitalisation Scheme is as follows –

1. Old Tai Po Police Station

Address: No. 11 Wan Tau Kok Lane, Tai Po, N.T.
Gross Floor Area: 1 300 sq. m. (approx)
Year Built: 1899
Grading: Grade II
Possible Uses: ♦ Youth hostel
♦ Holiday camp
♦ Educational institute
♦ Arts and cultural village

2. Lui Seng Chun

Address: No. 119 Lai Chi Kok Road, Mong Kok, Kowloon
Gross Floor Area: 600 sq. m. (approx)
Year Built: 1931
Grading: Grade I
Possible Uses: • Chinese medicine shop
• Social services centre
• Display centre

3. Lai Chi Kok Hospital

Address: No. 800 Castle Peak Road, Lai Chi Kok, Kowloon
Gross Floor Area: 6 500 sq. m. (approx)
Year Built: 1921 - 1924
Grading: Grade III
Possible Uses: • Holiday camp
• Hostel
• Arts and cultural village
• Educational institute

4. North Kowloon Magistracy

Address: No. 292 Tai Po Road, Sham Shui Po, Kowloon
Gross Floor Area: 7 530 sq. m. (approx)
Year Built: 1960
Grading: Not yet graded
Possible Uses:

- Educational institute
- Training centre
- Antiquities and art gallery

5. Old Tai O Police Station

Address: Shek Tsai Po Street, Tai O, Lantau Island
Gross Floor Area: 1 000 sq. m. (approx)
Year Built: 1902
Grading: Grade III
Possible Uses:

- Boutique hotel
- Café / museum
- Ecotourism

6. Fong Yuen Study Hall

Address: Tin Liu Tsuen, Ma Wan, Tsuen Wan
Gross Floor Area: 140 sq. m. (approx)
Year Built: 1920-1930
Grading: Not yet graded
Possible Uses:

- Small library
- Study room
- Community uses

7. Mei Ho House

Address: Block 41, Shek Kip Mei Estate, Sham Shui Po, Kowloon
Gross Floor Area: 6 750 sq. m. (approx)
Year Built: 1954
Grading: Grade I
Possible Uses:

- Art centre
- Youth hostel

**Implementation Schedule for
the Revitalising Historic Building Through Partnership Scheme**

Estimated Date	Procedure
Feb 2008	<p>Inviting applications.</p> <p>The Revitalisation Scheme Secretariat will distribute:</p> <ul style="list-style-type: none"> – Applications forms; – Application guidelines; and – Information of the buildings, such as historical background, layout plans, conservation guidelines, etc. <p>Open Days of the seven historic buildings included in the Scheme to be conducted.</p>
Feb – May 2008	<p>Organisations to submit proposals.</p> <p>Proposals should include the following:</p> <ul style="list-style-type: none"> – How the historic buildings would be preserved and their historical significance be brought out; – How the historic buildings would be renovated/ altered; – How the historic buildings can be used to operate social enterprise and how the community can benefit from it; and – How the SE would operate in terms of financial viability, i.e. the business plan. <p>At this stage, on the technical front, the applicants will be required to submit a conceptual plan comprising initial design proposal, schedule of accommodation and rough indication of cost.</p>

Estimated Date	Procedure
May 2008	<p data-bbox="592 327 884 360">Close of application.</p> <p data-bbox="592 423 1401 501">First round of vetting conducted by the Vetting Committee.</p> <p data-bbox="592 564 1401 741">In light of the workload envisaged, the Vetting Committee may not be able to process all the applications of the seven historic buildings at the same time.</p> <p data-bbox="592 817 1401 1189">Upon completion of the first round of vetting, the Revitalisation Scheme Secretariat will notify the selected applicant (may be one or more than one) that it can enter the second round of vetting so that it can prepare more detailed information on the project (e.g. detailed technical submissions, cost estimates with detailed breakdowns and cash flow statement showing income and expenditure during the initial years of operation).</p>
Jul – Aug 2008	<p data-bbox="592 1227 1401 1305">Second round of vetting conducted by the Vetting Committee.</p> <p data-bbox="592 1382 1401 1653">In the second round of vetting, the applicant should demonstrate its overall ability to resolve the technical problems. If necessary, advice could be sought from government departments (e.g. Antiquities and Monuments Office, Buildings Department and Architectural Services Department).</p>

Estimated Date	Procedure
Sep – Dec 2008 ^{Note 1}	<p>Approval in Principle.</p> <p>The successful applicant would be given approval in principle. If necessary, it may need to go through the following additional procedures:</p> <ul style="list-style-type: none">– Compliance with Town Planning Ordinance: to submit application to Town Planning Board if required;– Application for funding for renovation and adaptive re-use of building from the Finance Committee to be co-ordinated by Development Bureau; and– Government and the applicant to discuss the drafting of the tenancy agreement, etc. <p>Formal Approval. ^{Note 2}</p>

Note 1 The time required for the workflow may be reduced if:

- the project is relatively simple and of minor works in nature;
- there is only one or very few applicants for a historic building; and
- the applicant will bear the cost of renovation/alteration in full without seeking any government funding.

Note 2 In the event that the applicant selected in the second round fails to meet subsequent requirements after all efforts (e.g. seeking of permission from Town Planning Board, application for licence for its intended use from other government departments, etc.), it may not be possible to further pursue the proposal. In such case, the Vetting Committee will need to find another suitable candidate. We however hope this would not happen.
