

For discussion on
20 December 2007

Legislative Council Panel on Home Affairs

Revitalising Historic Buildings Through Partnership Scheme

PURPOSE

This paper explains the proposal of the Revitalising Historic Buildings Through Partnership Scheme (the Revitalisation Scheme) and invites Members' views on the way forward.

BACKGROUND

2. In the 2007-08 Policy Address, it is stated inter alia that Government would seek to revitalise Government-owned historic buildings by introducing a new scheme which would allow Non-governmental Organisations (NGOs) to apply for adaptive re-use of these buildings. The general framework of this scheme (now titled as 'Revitalising Historic Buildings Through Partnership Scheme') has been set out in the Legislative Council brief on Heritage Conservation Policy issued to Members on 11 October 2007.

OBJECTIVE OF THE REVITALISING HISTORIC BUILDINGS THROUGH PARTNERSHIP SCHEME (the Revitalisation Scheme)

3. The objectives of the Scheme are as follows:
- (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. In drawing up the Scheme, we have considered whether we should adopt an open tender approach involving private enterprises in commercial operations (such as the ex-Marine Police Headquarters in Tsim Sha Tsui) or collaboration with non-profit-making NGOs in the form of social enterprise (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 these adaptive re-use being of a non-profit-making nature, the Government would find it easier to render funding and various support to help the buildings' revitalisation, thereby achieving quicker, 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 tripartite co-operation between Government, business and people in promoting SEs.

PRESENT POSITION

5. Since the announcement of the Revitalisation Scheme on 10 October 2007, we have worked out further details. These are now elaborated in the ensuing paragraphs.

Proposed Modus Operandi

6. The proposed modus operandi is summarized as follows:
- (a) Applicants will be invited to submit proposals in regard to the following seven buildings:
- Old Tai Po Police Station;
 - Lui Seng Chun;
 - Lai Chi Kok Hospital;
 - North Kowloon Magistracy;
 - Old Tai O Police Station;
 - Fong Yuen Study Hall; and
 - Mei Ho House.

For details of these buildings, please see **Annex 1**.

- (b) Non-profit making organizations (NPOs) that have acquired charitable status under Section 88 of the Inland Revenue Ordinance would be eligible to submit proposals. In their submissions, they are required to come up with plans on:
- how the historical significance of the buildings can be brought out effectively;
 - how the historic buildings would be preserved;
 - 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
 - how the SE would operate in terms of financial viability, i.e. the business plan.

- (c) A vetting committee will be set up to examine the proposals. It will comprise relevant Government departments (such as the 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 and experts in the fields of heritage conservation and social enterprise.
- (d) There will be two rounds of selection. In the first round, applicants have to submit proposals as explained in (b) above. On the technical front, applicants will be required to submit a conceptual plan comprising 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 statement showing income and expenditure during the initial years of operation.
- (e) Government would provide one-stop shop advisory service for NPOs in the areas of heritage conservation, land use and planning, building architecture, and compliance with Buildings Ordinance.
- (f) A secretariat will be set up to oversee the operation of the Scheme.
- (g) We would provide financial support including:
 - a one-off 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;
 - nominal rental for the building; and
 - 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, we will make reference to, inter alia, the \$3 million funding ceiling of the Home Affairs Department's Enhancing Self-reliance Through Partnership Programme¹ (伙伴倡自強社區協作計劃).

(For more details, please also see paragraph 9(d) below.)

7. For illustration purpose, some possible adaptive re-uses are as follows:
- (a) proposal for use by a NPO for business or enterprise purpose e.g. Chinese medicine clinic, café, etc;
 - (b) proposal for use by a NPO for education purpose e.g. operating self-financing courses;
 - (c) proposal for use by a NPO as a fee-charging arts and cultural centre offering courses/venues for performance; and
 - (d) proposal for use by a NPO as a youth hostel which operates on a self-financing basis.

Briefing Held on 8 November 2007

8. We organized a briefing for NGOs and professional bodies on 8 November 2007 to tap their views. More than 200 participants from around 100 NGOs and professional bodies attended. During the session, the following suggestions have been made:

- (a) Government should provide historical background and conservation guidelines for each of the buildings so that applicants would understand what needs to be conserved;

¹ 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 community. The funding ceiling for each approved project is \$3 million.

- (b) given the conflict between heritage conservation and modern day requirements e.g. on safety, access by the disabled, etc., greater flexibility should be provided;
- (c) there should be a clear demarcation of responsibilities between the Government and the successful applicants in respect of maintenance of the Revitalisation Scheme buildings and adjacent slopes during the tenancy. Concerns were also expressed on the possible high cost in the maintenance of historic buildings;
- (d) given the wide range in gross floor areas of the Revitalisation Scheme buildings, the financial ceiling proposed for the one-off grant to meet the starting costs and operating deficits of the SEs in the first two years of operation should be pitched at a higher level. Some considered that the \$3 million funding ceiling of the Home Affairs Department's Enhancing Self-reliance Through Partnership Programme may not be sufficient for SEs operating in the larger buildings under the Revitalisation Scheme; and
- (e) the duration of the tenancy should be sufficiently long in order to provide viability to the operation.

Our Responses

9. We have considered the concerns expressed and propose to address them as follows:

- (a) Historical background and conservation guidelines

The Antiquities and Monument Office will prepare information on the historical background and conservation guidelines for each of the seven buildings under the Revitalisation Scheme for reference by applicants.

- (b) Incompatibility between conservation and prescriptive requirements of current building standards

We fully appreciate the concern expressed. There is possible incompatibility between conservation of historic buildings and compliance with prescriptive requirements of current building standards and indeed some difficulties have been encountered in the past, e.g. in the conversion of Kom Tong Hall into the Dr. Sun Yet-sen Museum. To resolve such problems, alternative measures to satisfy the prescriptive requirements will need to be worked out. In this connection, we have set up a Task Force comprising representatives from the Antiquities and Monuments Office, Architectural Services Department, Buildings Department and Fire Services Department to tackle the problems. We are also conducting a consultancy to look into overseas experience in resolving similar incompatibility and we aim to come up with general guidelines in due course. For the seven buildings included in the Revitalisation Scheme, the problems may be different in each case and we will strike the best possible balance amongst the degree of preservation, the proposed uses and the level of safety in working out the guidelines to be distributed to applicants. In any case, we will provide one-stop shop service in the process.

(c) Responsibilities of building and slope maintenance

We also appreciate NGOs' concerns about the responsibilities of building and slope maintenance and will issue clear guidelines on the subject when the Revitalisation Scheme is formally launched. In general, our intention is as follows:

- (i) the Government, being the owner of the buildings, will continue to be responsible 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;
- (ii) the NGOs will however be responsible for the maintenance of the interior of the buildings and the fixtures added by them to facilitate operation of the SE. This is to ensure efficiency in operation. Also, the successful NGOs would just be shouldering the responsibility of a normal tenant of a building. However, for particular architectural

features of heritage significance as considered by the Antiquities and Monuments Office, say, mosaic tiles on an internal wall, the Government would provide technical guidance on (or even take over) its maintenance and repair;

- (iii) as the buildings would be improved and renovated with Government financial support before the successful NGOs move in to commence operation of the SEs, major maintenance problems would unlikely arise in the first few years of operation. The above measures should hence reasonably ensure that the historic buildings would be kept in good conditions and help relieve the worries of NGOs; and
 - (iv) however, in the unforeseeable circumstances that major repairs are required during the tenancy (e.g. persistent pipe leakage due to problem of workmanship and despite repeated efforts by the NGO to rectify the problem), the NGO can apply for funding from Government to refurbish the building.
- (d) Ceiling for the one-off grant to meet the starting costs and operating deficits of the SEs in the first two years of operation

Taking into account the views expressed and noting that our Scheme is building-based, we propose to raise the financial ceiling per building/project to \$5 million. This is to cater for premises which are of relatively large size as well as the operation in which is of sophisticated nature.

- (e) Tenancy period

Our thinking at this stage is that depending on the nature, scale and level of investment of the proposed SE, the tenancy will generally last from 3 to 6 years. Longer tenancies can be negotiated if there are good justifications.

We would follow up and refine our proposal and hope to launch the Scheme for application in February 2008.

The Revitalisation Scheme Secretariat

10. A multi-disciplinary Revitalisation Scheme Secretariat, comprising architects, surveyors, managerial and accounting personnel, etc. will be set up to implement the Revitalisation Scheme. The Secretariat will be responsible for, inter alia:

- providing secretarial support to the Vetting Committee;
- examining proposals from applicants (from heritage conservation/technical/SE angles) and making recommendations to the vetting committee;
- providing assistance to applicants;
- drafting agreements on tenancy and administrative arrangements;
- handling applications for grants;
- overseeing the operation of the successful applications and ensuring compliance of tenancy and other conditions, examining progress reports, audited accounts etc.;
- monitoring the physical conditions of the historic buildings through regular inspections;
- conducting research and compiling statistics; and
- conducting publicity activities etc.

11. The Revitalisation Scheme Secretariat will have an establishment of around 12 staff. Since there is a possibility that a heritage trust will be set up in the longer term, we propose to fill these posts by NCSC staff to allow flexibility for redeploying them to work under the trust in future. The costs concerned will be absorbed by internal redeployment.

FINANCIAL IMPLICATONS

Capital Works Expenditure

12. Upon approval of a successful application, the historic building will have to be renovated in accordance with the proposal received. The Government will provide appropriate financial support to ensure that the Revitalisation Scheme is practicable and has earmarked \$1 billion under the Capital Works Reserve Fund for this purpose. The renovation will be carried out by the private architects/consultants to be engaged by the applicants (with assistance from Architectural Services Department and Antiquities and Monuments Office where necessary) but they can apply for the cost to be borne in full or part by Government. We will seek approval for capital works funding for these works and for refurbishment between tenancies (or during long tenancies) in the normal manner by making submissions to the Public Works Subcommittee (PWSC) of the Finance Committee (FC).

Recurrent Expenditure

13. The administration of the Scheme will be one of the main duties of the proposed Commissioner for Heritage (C for H) and his modest office. We will seek FC/ESC approval of the proposed creation of an AOSGC to assume the post of the C for H and staff the office through redeployment of existing resources.

Other Non-recurrent Expenditure

14. To facilitate the implementation of the Scheme (notably to meet the grants to be made available to selected NPOs for SE operation in the historic buildings and other ad hoc expenses to be incurred by the C for H Office directly related to the Scheme 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), subject to Members' support, we propose to seek approval of FC for the creation of a new non-recurrent item, entitled "Revitalisation of Historic Buildings Through Partnership Scheme". A

separate sum of \$100 million for five years has already been set aside in the General Revenue Account for supporting the operation of the Scheme.

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 **Annex 2**.

16. Members may wish to note that we are also considering the applicability of the Revitalisation Scheme to two other historic buildings that have generated some public discussion recently. These are the Dragon Garden (a Grade II privately owned building in Tsing Lung Tau which the owner has indicated a possibility of donating to Hong Kong for public enjoyment) and the Blue House clusters in Wan Chai (within which there are Grade I and II buildings) in consultation with the Hong Kong Housing Society. Further discussion will be held with parties concerned.

ADVICE SOUGHT

17. Members are invited to advise on the above and in particular support the proposal of creating a non-recurrent item entitled “Revitalising Historic Buildings Through Partnership Scheme” of the amount of \$100 million for five years. Subject to Members’ views, we will proceed to seek the endorsement of Finance Committee.

Development Bureau
December 2007

Historic Buildings for RHBTP Scheme

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



Proposed Implementation Schedule for RHBTP Scheme

Estimated Date	Procedure
Feb 2008	<p>Inviting applications.</p> <p>The RHBTP 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 7 historic buildings included in the Scheme.</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 building 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="592 282 906 320">Close of application.</p> <p data-bbox="592 378 1241 461">First round of vetting conducted by Vetting Committee.</p> <p data-bbox="592 519 1350 701">In view of resource limitation, the Vetting Committee may not be able to process all the applications of the 7 historic buildings at the same time.</p> <p data-bbox="592 759 1362 1182">Upon completion of the first round of vetting, the Revitalisation 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>
July – Aug 2008	<p data-bbox="592 1205 963 1243">Second round of vetting.</p> <p data-bbox="592 1301 1385 1576">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
September – December 2008 ^{Note 1}	<p>Approval in Principle.</p> <p>Successful applicants would be given approval in principle. If necessary, they 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, LegCo: to be coordinated 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 a minor works 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.