

For information on  
19 February 2010

**Subcommittee on Land (Compulsory Sale for Redevelopment)  
(Specification of Lower Percentage) Notice**

**Optimising the Use of Industrial Buildings to  
Meet Hong Kong's Changing Economic and Social Needs**

**Introduction**

The Chief Executive has announced in his 2009-10 Policy Address new measures to optimise the use of old industrial buildings through encouraging redevelopment and conversion of vacant or under-utilised industrial buildings. This paper provides background information on the new policy initiatives.

**Background**

2. As a result of Hong Kong's economic restructuring and the relocation of traditional manufacturing industries, many private flatted factories were left vacant or under-utilised. The total stock of private flatted factories was 17.4 million m<sup>2</sup> at end 2008. At an official vacancy rate of 6.5%, the total vacant floor area exceeded 1.1 million m<sup>2</sup>, but we believe a lot of industrial premises may not have been put to their best use due to restrictions in town planning and land lease conditions. This is a serious waste of our land resources.

3. During the past two decades, the Town Planning Board has introduced a number of planning measures in response to the changing economic and social needs, such as broadening of permissible uses in industrial buildings and rezoning of about 500 hectares of industrial land for non-industrial uses.

4. There were 1 467 private flatted factories in Hong Kong at end 2008, about 70% of them were situated in non-industrial zones, mainly in "Other Specified Uses" annotated "Business" (OU(B)) zone. For instance, all former industrial land in the entire urban Kowloon has been rezoned for non-industrial uses.

5. Most of Hong Kong's industrial buildings are relatively young, in fact, about half of them are below 30 years of age, whereas about 720 age 30 years or above. There are about 580 existing industrial buildings that age 30 years or above and are situated in non-industrial zones.

6. The existing stock of industrial buildings located in non-industrial zones are mainly distributed in Kwun Tong, Kwai Chung, Cheung Sha Wan, Mong Kok, Tsz Wan Shan/Diamond Hill/San Po Kong, Aberdeen/Ap Lei Chau. Many of them are located in urban areas with good and improving access and connectivity; some are harbourfront sites with good views. In general, industrial buildings are built to vigilant building requirements. With generally large floor plates, high ceilings, strong floor loadings, wide corridors and large lifts, these buildings are versatile and are suitable for conversion to various alternative uses.

7. Notwithstanding the above, redevelopment or wholesale conversion of industrial buildings has been slow. Owners of industrial buildings have been reluctant or unable to carry out redevelopment or conversion of their buildings for other uses due to the following constraints:

- (a) fragmented ownership in flatted factory buildings;
- (b) the need to pay full market premium for redevelopment and waiver fees for conversion that increases economic and time costs, and hence the commercial risks;
- (c) difficulties in raising funds for redevelopment; and
- (d) the commercial risks in being the first to redevelop or convert an industrial building for commercial uses in a former industrial area.

8. Early availability of suitable land and premises at affordable prices is a key to meeting Hong Kong's changing economic and social needs, including the development of higher value-added economic activities such as those of the four pillar industries and the six economic areas.

9. We also hope to address the issue of widespread non-compliance in industrial buildings (i.e. violating planning intentions or lease conditions, or both) by encouraging redevelopment and wholesale conversion.

Currently, many non-industrial uses in industrial buildings have not obtained proper approvals from the relevant authorities and paid the necessary waiver fees. A major concern arising from the situation is fire safety. This is because industrial activities in general carry higher fire risks (e.g. loading, storage and use of dangerous goods) and pose unacceptable risks to the commercial patrons in the same building, who may not be familiar with the potential fire risks in such buildings. Redevelopment or wholesale conversion can help remove incompatible industrial uses and reduce the level of fire risk in these buildings so that they could be safely used for commercial purposes. Furthermore, redevelopment also provides opportunities for realisation of planning gains, such as building set-backs or provision of open space.

### **Policy Initiatives**

10. To address the above challenges, the Chief Executive has announced in the 2009-10 Policy Address the following measures to facilitate redevelopment and wholesale conversion of industrial buildings –

- (a) lowering the application threshold under the Land (Compulsory Sale for Redevelopment) Ordinance (LCSRO) for compulsory sale for redevelopment for industrial buildings aged 30 years or above situated in non-industrial zones to facilitate the consolidation of ownership for redevelopment;
- (b) enabling owners to pay premiums according to the optimal use and actual development density for redevelopment of industrial buildings in non-industrial zones based on a “pay for what you build” approach (rather than assessing premium based on the maximum permissible development intensity);
- (c) allowing owners who modify the lease for redevelopment of industrial buildings in non-industrial zones to opt to pay 80% of the premiums by instalments for up to five years at a fixed interest rate if the premiums payable exceed \$20 million; and
- (d) exempting owners who opt for wholesale conversion instead of redevelopment of an industrial building aged 15 years or above situated in “Industrial”, “Commercial”

or “OU(B)” zones from paying the waiver fee for change of land use for the lifetime of the building or the current lease period, whichever is earlier.

11. The proposed measure in paragraph 10(a) will be implemented through subsidiary legislation under the LCSRO while the three measures proposed in paragraphs 10(b) to (d) will be effective for three years starting from 1 April 2010.

12. The Lands Department will set up a dedicated team to process applications for the proposed measures in respect of redevelopment or wholesale conversion of industrial buildings.

**Development Bureau  
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