

**Legislative Council Panel on Housing  
Subcommittee on the Long Term Housing Strategy**

**Revitalisation of Industrial Buildings**

**Purpose**

This paper outlines the existing measures to facilitate the redevelopment and wholesale conversion of older industrial buildings (the revitalisation measures). It also provides an update on the study of the feasibility to facilitate wholesale conversion of industrial buildings for “transitional accommodation” use.

**Revitalisation Measures for Industrial Buildings**

2. To encourage the provision of more floor space for suitable uses to meet Hong Kong’s changing social and economic needs through redevelopment and wholesale conversion of vacant or under-utilised industrial buildings, the Government announced in October 2009 a set of revitalisation measures, which came into effect on 1 April 2010. The key measures include –

To encourage redevelopment of industrial buildings

- (a) Lowering the application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance from 90% to 80% of ownership for industrial buildings aged 30 years or above situated in non-industrial zones;
- (b) Allowing tailor-made lease modifications at “pay for what you build” premium (i.e. assess premium based on the optimal use and proposed development intensity of the redevelopment);
- (c) Allowing owners who modify the lease for redevelopment to opt for payment of 80% of the land premium by annual instalments over five years at a fixed interest rate, if the premium exceeds \$20 million; and

To encourage wholesale conversion of industrial buildings

- (d) Allowing owners to apply at a nil waiver fee for change of use of existing industrial buildings for the lifetime of the building or the current lease period, whichever is earlier. These industrial buildings should be aged 15 years or above and situated in “Industrial”, “Commercial” or “Other Specified Uses (Business)” (“OU(B)”) zones.

3. In September 2011, the Government completed a mid-term review on the revitalisation measures, and subsequently introduced a number of refinements to allow more flexibility for wholesale conversion, as follows –

- (a) Affirming that placing gross floor area (GFA)-exempted utility installations on the main roof not exceeding 50% of the roof area of the floor below would not be regarded as increase in building height, while installation of claddings or curtain walls on the external walls would not be regarded as increase in building bulk;
- (b) Allowing minor changes to the existing building frame, including variations to the internal and external structures, on the conditions that demolition of external structures should involve no more than 10% of the total GFA of the existing building and that there is no net increase in the total GFA after conversion; and
- (c) Encouraging new applicants for wholesale conversion to obtain certification by the BEAM Plus Assessment, but they would not be required to obtain a mandatory rating.

We also extended the deadline of submission of application under the revitalisation measures for three years, from 31 March 2013 to 31 March 2016.

4. Up to end June 2013, the Lands Department had approved 71 applications under the revitalisation measures<sup>1</sup>. The projects concerned have a capacity to provide a total GFA of about 720 000 square metres of converted or new floor space.

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<sup>1</sup> Detailed statistical breakdown of the applications is provided on the Government dedicated website on the revitalisation measures ([www.devb.gov.hk/industrialbuildings/eng/implementation\\_progress/index.html](http://www.devb.gov.hk/industrialbuildings/eng/implementation_progress/index.html)). Key information (e.g. location and user) of the cases registered in the Land Registry is also accessible through the website of the Lands Department.

5. As announced by the Chief Executive in the 2013 Policy Address, the Government is examining possible further refinements to the existing revitalisation measures mentioned above to better facilitate revitalisation of industrial buildings in appropriate land use zonings into non-industrial uses. We are examining the relevant issues and will announce the details when ready.

### **Feasibility to Facilitate Wholesale Conversion of Industrial Buildings for “Transitional Accommodation” Use**

6. With regard to the feasibility of the option of allowing wholesale conversion of industrial buildings for “transitional accommodation” use, under which owners of industrial buildings carry out modification works to convert their existing industrial buildings to provide small-sized residential units for letting on an interim basis, the Government has been examining it in the context of the policy on revitalisation of industrial buildings. The regulatory regimes provided for under the Buildings Ordinance (Cap. 123), Town Planning Ordinance (Cap. 131) and land leases are relevant.

7. From the building control perspective, industrial buildings generally do not meet the design and planning requirements for domestic use. In addition to plot ratio and site coverage, specific building standards and requirements for domestic buildings, particularly the provision of natural lighting and ventilation, are stipulated on safety and health grounds for protecting the well being of occupants. If an industrial building is to comply with those building standards and requirements so drawn up, the conversion works for “transitional accommodation” use would involve substantial alterations or even demolition of parts of the building in some if not most cases. Such works, even if technically feasible, would be costly and would affect the viability of such schemes, as our sounding out of some industrial building owners reflects. For example, as not every façade of an industrial building could meet the prescribed window requirement for residential purpose, its inner parts which do not have windows or cannot be retrofitted with windows would have to be used for other purposes or left idling. This would also have implications on the financial viability of such conversion schemes. While the regulations could be changed, subject to the approval of the Legislative Council, to relax the requirements, this would compromise the safety and health of the occupants.

8. From the town planning perspective, suitable sites are zoned for industrial use having regard to a number of considerations such as the surrounding environment, traffic conditions, noise impact, etc. For an industrial building situated within an industrial zone, the street environment and the exposure to noise may render the industrial building unsafe for residential use. For instance, heavy goods vehicles operating in the industrial zone would lead to traffic safety problem, and the noise generated by machines in the industrial buildings and the emissions from chimneys of these industrial buildings may create safety and health problems. Currently, where an industrial zone has undergone transformation such that most of the industrial buildings within it have ceased polluting manufacturing processes, consideration would be given to rezoning such zones to other uses in higher demand in the community such as commercial and residential uses. For rezoning for residential use, where there are still industrial operations not in close proximity but in the vicinity of an industrial site, the area can be rezoned to “Residential (E)” such that the redevelopment of the sites concerned for residential use would be made subject to planning approval and the suitability assessed on a case-by-case basis to ensure that there would not be unacceptable industrial-residential interface or land use incompatibility problems. Where an industrial area has ceased to be used for industrial purposes, and there is no land use incompatibility problem, the sites can be rezoned to other residential uses. We believe rezoning suitable industrial areas into residential and other uses is a more appropriate measure that would ensure the well being of the future residents. Indeed, as the Government has announced, the Planning Department will continue its efforts to identify suitable industrial areas for rezoning to other uses including residential use.

9. From the land lease perspective, wholesale conversion of an existing industrial building for “transitional accommodation” use could be effected through application for special waiver. Nonetheless, the prerequisite is that the proposed conversion has to satisfy all the relevant town planning and building requirements.

10. In the light of the problems outlined above, and taking into full account the need to protect the well being of residents, we consider the option of “transitional accommodation” not practicable and that we should continue with the on-going industrial area reviews to identify suitable industrial sites for rezoning to uses in higher demand in the community including residential use.

## **Rezoning of Industrial Land in the Territory for Other Uses – An Update**

11. As we have informed Members in the past, the Planning Department had undertaken three rounds of Industrial Land Area Assessments in 2000, 2005 and 2009 and had identified suitable industrial land for rezoning to other uses including residential use. The rezoning work is on-going. The Planning Department is currently conducting a new round of Area Assessments of Industrial Land in the Territory (Area Assessments). The main purpose of the Area Assessments is to examine the usage of the floor space of the existing industrial buildings in various zonings and review undeveloped industrial land, with a view to identifying land that could be rezoned to uses in higher demand in the community, including residential use. For instance, in the previous round of Area Assessments in 2009, some 60 hectares of land had been proposed for rezoning from industrial to other uses, including some 30 hectares for residential uses. Furthermore, a projection of the industrial land demand in Hong Kong in the medium- to long- term will also be included in the Area Assessments in progress. The results and recommendations are expected to be available by 2014.

12. Members are invited to note the present development as set out in the preceding paragraphs.

**Development Bureau**  
**July 2013**