

立法會 *Legislative Council*

LC Paper No. CB(1)816/08-09(04)

Ref: CB1/PL/DEV

Panel on Development

Meeting on 24 February 2009

Background brief on Revitalizing Historic Buildings Through Partnership Scheme

Purpose

This paper provides background information on the Revitalizing Historic Buildings Through Partnership Scheme (Revitalization Scheme), and a summary of the concerns and views expressed by Members when the subject was discussed at the relevant committees of the Legislative Council.

Background

2. In his 2007-2008 Policy Address, the Chief Executive announced that Government would seek to revitalize Government-owned historic buildings by introducing a new scheme which would allow non-governmental organizations to apply for adaptive re-use of these buildings. On 11 October 2007, the Development Bureau issued a Legislative Council Brief on Heritage Conservation Policy [File Ref : DEVB(CR)(W) 1-55/68/01] which set out, inter alia, the general framework of the scheme, titled as "Revitalising Historic Buildings Through Partnership Scheme".

Modus operandi of the Revitalization Scheme

First batch historic buildings

3. The following seven buildings¹ are the first batch of historic buildings included in the Revitalization Scheme --

¹ Details of these buildings are provided in Annex 1 to LC Paper No. CB(2)637/07-08(03).

- 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.

Eligibility of applicants

4. The Administration has adopted the social enterprise (SE) approach whereby non-profit-making non-governmental organizations (NGOs) were invited to submit proposals on a competitive basis to revitalize the historic buildings and the proposed usage should take the form of a SE. Non-profit-making organizations (NPOs) that have acquired charitable status under Section 88 of the Inland Revenue Ordinance are eligible to submit proposals².

Financial support to successful NPOs

5. The Government would provide the following financial support to the successful NPOs --

- (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.
- (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. The financial ceiling per building/project is set at \$5 million.

Assessment of applications

6. The proposals submitted by NPOs are to be assessed according to the following major criteria --

² According to the Administration's paper for the Finance Committee meeting on 1 February 2008, to accommodate interested organizations that may not already possess the requisite charitable status, the Administration 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, if by then they have received approval for the requisite charitable status.

- (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.

Support and monitoring

7. The Government will provide the following support to successful NPOs to facilitate the implementation of their revitalization proposals --

- (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 NPOs.

8. Successful NPOs will be required to enter into agreement with the Government. The Administration will closely monitor their operation to ensure their compliance with the terms and conditions set out in the agreement(s) and that they have achieved their intended objectives. The NPOs will be required to submit annual reports and audited accounts for monitoring purpose.

Concerns and views of Memembrs

9. On 2 January 2008, the Administration briefed the Panel on Home Affairs³ on the proposal for launching the Revitalization Scheme. Thereafter, on 1 February 2008, the Administration sought the approval of the Finance Committee to create a new non-recurrent commitment of \$100 million to meet

³ The monitoring and examination of Government policies and issues relating to development-related heritage conservation had been under the purview of the Panel on Home Affairs, and was taken up by the Panel on Development at the beginning of the 2008-2009 legislative session.

the non-works related expenditure in implementing the Revitalization Scheme for five years. The Finance Committee approved the proposal. On 19 December 2008, the Administration updated the Panel on Development on the latest progress on the implementation of various heritage conservation initiatives, including the Revitalization Scheme. The major concerns and views expressed by Panel/Finance Committee members during these discussions are summarized in the ensuing paragraphs

Criteria for selection of historic buildings

10. Some members enquired about the criteria for selection of historic buildings for the Scheme, and asked whether the decision was based on the recommendations of District Councils. The Administration advised that one of the selection criteria was the clarity of title of historic buildings. The first batch of seven historic buildings were chosen from a number of other historic buildings because most of them were Government buildings, with the exception of Mei Ho House which was owned by the Housing Authority. Before including a historic building into the Scheme, the views of the relevant District Councils would be sought as appropriate, and the information would be useful in the subsequent assessment of applications.

11. The Administration also advised that consideration would be given to identifying more suitable historic buildings, including privately-owned historic buildings which were donated to the Government, for inclusion in the subsequent batches of historic buildings under the Scheme.

Eligibility of applicants

12. Some members questioned the rationale for confining eligible applicants to NPOs that had acquired charitable status under section 88 of the Inland Revenue Ordinance (Cap. 112). In this connection, some members expressed concern about the financial viability of the SEs to be undertaken under the Scheme, and enquired whether commercial enterprises could be allowed to participate on the condition that the SEs they undertook under the Scheme were non-profit making. To address these concerns of members, the Administration had provided a written response (**Appendix I**) setting out the Government's policy on SEs and the rationale for adopting the SE approach for the Scheme.

13. At the meeting of the Home Affairs Panel on 2 January 2008, the Secretary for Development advised that the second batch of the Scheme might be implemented by an open tender approach involving commercial enterprises.

Provision of support for participating NPOs

14. Members stressed the importance of ensuring proper conservation of the historic buildings under the Scheme, and pointed out that the maintenance cost of

the buildings was a major concern to NPOs. Members also considered that the Scheme should aim at bringing out effectively the historical significance of the historic buildings, and thus suggested that the Administration should provide detailed information and guidelines on the historical significance of the buildings involved for reference by the applicants. Members were also concerned that the objectives of the Scheme would not be easy to achieve given the many constraints of the Scheme and the fact that most SEs were operating at a deficit.

15. The Administration affirmed that the Government would continue to be responsible for funding the maintenance and repair of the structural parts of and slopes adjacent to the historic buildings after they had been let to the successful NPOs. The Administration acknowledged the difficulties in taking forward SE operations and thus had proposed to provide financial support to NPOs in the form of nominal rental for the historic buildings, a capital grant to cover the renovation cost and a one-off grant of up to \$5 million per building/project to meet the starting costs and operating deficits for a maximum of the first two years of operation. Besides, one-stop advisory service would be provided to the NPOs through the Commissioner for Heritage's Office.

16. On the other hand, the Administration advised that there would be regular monitoring of the progress of the projects. Agreements signed with the NPOs concerned would be subject to termination if the NPOs failed to deliver the intended objectives. Guidelines on recruitment and procurement would be provided to ensure the effective use of public resources.

Other issues

17. Members also gave the following views in respect of the Revitalization Scheme --

- (a) the revitalized buildings should be opened up for use by the general public;
- (b) in revitalizing Mei Ho House, efforts should be made to re-create an atmosphere reminiscent of the living environment in the early 50s;
- (c) barrier-free access should be provided in the revitalized buildings as far as practicable for the benefit of the physically disabled;
- (d) the Administration should adopt a point, line, plane approach in rolling out the subsequent batches of the Scheme; and

- (e) legislation should be introduced for social enterprises, setting out the rules and regulations in undertaking social enterprises so as to facilitate acquisition of land, preparation of accounts, and collection of charitable donations, etc.

Recent developments

18. The Administration formally launched the Revitalization Scheme on 22 February 2008 by inviting NPOs to submit proposals for revitalizing the first batch of seven historic buildings. Upon expiry of the deadline on 22 May 2008, a total of 114 proposals had been received. Meanwhile, the Administration announced the appointment of the Advisory Committee on Revitalisation of Historic Buildings (the Advisory Committee), which would assist in the assessment and selection of proposals under the Scheme and provide advice on the subsequent monitoring of the revitalisation projects. The terms of reference and membership list of the Advisory Committee are given in **Appendix II**.

19. According to an information paper provided by the Administration for the Panel on Development in December 2008, the results of the vetting of the proposals for the seven buildings would be announced in February 2009. The Administration would then submit a funding proposal to the Public Works Subcommittee and the Finance Committee for capital works funding (under the sum of \$1 billion earmarked for the purpose) to implement the successful projects. In view of the very good response to the Scheme, the Administration also plans to roll out Batch II of the Scheme in the first half of 2009.

20. A list of relevant papers is in **Appendix III**.

政府總部
發展局
工務科
香港花園道美利大廈



Appendix I
Works Branch
Development Bureau
Government Secretariat
Murray Building, Garden Road,
Hong Kong

本局檔號 Our Ref.

來函檔號 Your Ref.

19 February 2008

Clerk to the Finance Committee
Legislative Council Building
8 Jackson Road
Central, Hong Kong
(Attn: Miss Becky Yu)

Dear Miss Yu,

Finance Committee
Follow-up to meeting on 1 February 2008

I refer to your letter dated 4 February 2008 to the Secretary for Financial Services and the Treasury on the follow-up actions arising from the Finance Committee meeting held on 1 February 2008 on the Revitalising Historic Buildings Through Partnership Scheme (“Revitalisation Scheme”) (FCR(2007-08)52), conveying the request for the Administration to provide supplementary information on the policy on social enterprises (SE) and the rationale for ruling out commercial enterprises from this category. We have subsequently consulted the Home Affairs Bureau which has provided input on the Government’s strategies to promote the development of SE in Hong Kong in paragraphs 2 to 3 below. The rationale for ruling out commercial enterprises from this category is set out in paragraphs 4 to 5.

Social Enterprises

2. There is no universal definition on SE and the concept of SE is still evolving. The international trend is to encourage multi-modal development. In general, SE is a business. It should be able to make profits and operate on a self-financing basis, while the profit should be principally reinvested in the SE business or in the community for the social objectives pursued by the SE. The successful development of SE requires not only commitment to the society and attending to the needs of the community, but also innovation, just like any other successful commercial enterprises. In this regard, the Government’s strategies for promoting the further development of SE in Hong Kong include –

- (a) to enhance public understanding of SE, especially the social objectives achieved, with a view to creating a more conducive environment for the development of SE and its clientele;
- (b) to promote cross-sector collaboration and encourage more private enterprises to promote the development of SE;
- (c) to nurture more talents for SE to enhance creativity; and
- (d) to strengthen support for SE so as to enhance its competitiveness and sustainability.

3. As SE is a relatively new concept in Hong Kong, a number of issues are still evolving and have to be explored further. The Government will continue to listen to the views of the community and consolidate our experience so as to improve our policies and measures on SE development.

Rationale for not including commercial enterprises in the Revitalisation Scheme

4. When devising the Revitalisation Scheme, the Development Bureau has made reference to the Home Affairs Department's Enhancing Self-reliance Through Partnership Programme, which is also implemented to assist SE. We have also adopted the charitable status under Section 88 of the Inland Revenue Ordinance as one of the eligibility criteria of applicants, as the said status is a well-established and well-known yardstick for various financial assistance schemes operated by Government.

5. When devising the Revitalisation Scheme, we propose to adopt the SE approach (instead of ordinary commercial enterprises) 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.

6. We shall be grateful if you could convey the above to Members for their information.



(Edwin K. H. Tong)
for Secretary for Development

c.c.

Secretary for Home Affairs
(Attn: Mr. Anthony Li)

Director of Home Affairs
(Attn: Miss Adeline Wong)

Secretary for Financial Services and the Treasury
(Attn: Mr. Alfred Fok)
(Attn: Ms W Y Poon)

Appendix II

Advisory Committee on Revitalisation of Historic Buildings

Terms of reference

- (a) Examine applications and make recommendations to the Secretary for Development (SDEV) on the use of historic buildings as announced by the Government from time to time, under the Revitalising Historic Buildings Through Partnership Scheme (the Revitalisation Scheme).
- (b) Upon selection of successful applicants for the Revitalisation Scheme, recommend the level of subsidy to the applicants both in terms of the one-off major renovation cost and the one-off grant to meet the starting costs and operating deficits.
- (c) Monitor and evaluate the effectiveness of approved projects under the Revitalisation Scheme in terms of the conservation of the buildings and the operation of the social enterprises.
- (d) In the case of non-compliance by the successful applicants (or tenants) under the Revitalisation Scheme, advise what necessary actions are to be taken.
- (e) Upon expiration of a tenancy, review overall performance of the successful applicant under the Revitalisation Scheme and recommend way forward, e.g. offer a new tenancy, not to offer a new tenancy, or offer a tenancy but with conditions attached.
- (f) Advise on other matters relating to the revitalisation of historic buildings as referred by SDEV.

(Source: website of <http://www.heritage.gov.hk/en/advisory/terms.htm>)

Membership list

Mr Bernard CHAN (Chairman)

- Member of the Executive Council and Legislative Council
- Member of Antiquities Advisory Board
- Chairperson of Hong Kong Council of Social Service
- President, Asia Financial Group

Mr Nelson CHENG Wai-hung

- Visiting Professor, Department of Architecture, University of Hong Kong
- Project Director, Tai Hung Fai Enterprise Company Ltd.

Ms Susanna CHIU Lai-kuen

- Member of Antiquities Advisory Board
- Senior Vice President, Li & Fung (Trading) Ltd.

Mr David FONG Man-hung

- Vice-chairman, The Chinese General Chamber of Commerce
- Deputy Managing Director, Hip Shing Hong Group of Companies

Mr Raymond FUNG Wing-kee

- Adjunct Assistant Professor, Department of Architecture, Chinese University of Hong Kong

Mr Andrew LAM Siu-lo

- Member of Antiquities Advisory Board
- Executive Director - Development, Winnington Land Ltd.

Dr LAU Chi-pang

- Member of Antiquities Advisory Board
- Assistant Professor, Department of History, Lingnan University.

Ms Vivian LAU

- Chief Executive Officer, Junior Achievement Hong Kong

Ms Deborah WAN Lai-yau

- Member of Advisory Committee on Enhancing Employment of People with Disabilities
- Chief Executive Officer, New Life Psychiatric Rehabilitation Association

Dr Philip WU Po-him,

- Chairman of Board of Trustees, Lord Wilson Heritage Trust
- Executive Director and Chief Executive Officer, Wing Lung Bank Ltd.

Mr Jack CHAN

- Commissioner for Heritage, Development Bureau

Mr LEUNG Koon-kee

- Assistant Director of Architectural Services (Property Services), Architectural Services Department

Dr Louis NG

- Assistant Director of Leisure, Cultural and Services (Heritage and Museums), Leisure and Cultural Services Department

(Source: The Administration's press release on 22 May 2008 on "Overwhelming response to historic buildings revitalization scheme")

Revitalization of historic buildings through Partnership Scheme

List of relevant papers

Date of meeting	Committee	Papers / Minutes of meeting
2 January 2008	Panel on Home Affairs	<p>Legislative Council Brief on Heritage Conservation Policy [File ref: DEVB(CR)(W) 1-55/68/01] http://www.legco.gov.hk/yr07-08/english/panels/ha/papers/ha-devbcrw1556801-e.pdf</p> <p>Administration's paper on Revitalising Historic Buildings Through Partnership Scheme [LC Paper No. CB(2)637/07-08(03)] http://www.legco.gov.hk/yr07-08/english/panels/ha/papers/ha1220cb2-637-3-e.pdf</p> <p>Minutes of meeting [LC Paper No. CB(2)1692/07-08] http://www.legco.gov.hk/yr07-08/english/panels/ha/minutes/ha080102.pdf</p>
1 February 2008	Finance Committee	<p>Administration's paper on Revitalising Historic Buildings Through Partnership Scheme [FCR(2007-08)52] http://www.legco.gov.hk/yr07-08/english/fc/fc/papers/f07-52e.pdf</p> <p>Minutes of meeting [LC Paper No. FC128/07-08] http://www.legco.gov.hk/yr07-08/english/fc/fc/minutes/fc080201.pdf</p>
		<p>Administration's press release on "Partnership scheme to revitalise historic buildings launched" issued on 22 February 2008 http://www.info.gov.hk/gia/general/200802/22/P200802220193.htm</p>

Date of meeting	Committee	Papers / Minutes of meeting
		Administration's press release on "Overwhelming response to historic buildings revitalisation scheme" issued on 22 May 2008 http://www.info.gov.hk/gia/general/200805/22/P200805220236.htm
19 December 2008	Panel on Development	Administration's paper on heritage conservation - an update on key initiatives [LC Paper No. CB(1)396/08-09(03)] http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev1219cb1-396-3-e.pdf
4 February 2009	Council Meeting	Written question on Revitalising Historic Buildings through Partnership Scheme http://www.devb-wb.gov.hk/press_releases_and_publications/UMPR/index.aspx?lang=no=1&nodeid=1779&Branch=A&1stYear=2009&PressReleaseID=11843