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Panel on Housing

Subcommittee on the Long Term Housing Strategy

Minutes of the meeting
held on Tuesday, 16 July 2013, at 2:30 pm
in Conference Room 2 of the Legislative Council Complex

Members present : Hon WONG Kwok-hing, BBS, MH (Chairman)
Hon Tony TSE Wai-chuen (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon WONG Yuk-man
Hon WU Chi-wai, MH
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Dr Hon Fernando CHEUNG Chiu-hung
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Member attending : Hon LEUNG Yiu-chung

Member absent : Hon Abraham SHEK Lai-him, GBS, JP

Public Officers attending : **For item I**

Mr Thomas CHAN, JP
Deputy Secretary for Development
(Planning & Lands)1

Mr Jeff LAM, JP
Deputy Director (General) (Lands Administration
Office, Headquarters)
Lands Department

Mr YU Tak-cheung
Assistant Director of Buildings (New Buildings)1
Buildings Department

Miss Theresa YIM
Assistant Director (Project) (2)
Housing Department

Clerk in attendance : Ms Miranda HON
Chief Council Secretary (1)1

Staff in attendance : Miss Lilian MOK
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

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I. Revitalization of industrial buildings

(LC Paper No. CB(1)1529/12-13(01) — Administration's paper on "Revitalization of industrial buildings")

The Deputy Secretary for Development (Planning & Lands)1 ("DSD(P&L)1") briefed members on the existing measures to facilitate the redevelopment and wholesale conversion of older industrial buildings, and provided an update on the study of the feasibility to facilitate wholesale conversion of industrial buildings for "transitional accommodation" use.

Application threshold for compulsory sale orders

2. While supporting the redevelopment and wholesale conversion of older industrial buildings for residential use to alleviate the problem of housing shortage, Mr Christopher CHUNG asked whether the Administration would consider further lowering the existing application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance ("the LCSRO") (Cap. 545) to less than 80% of ownership for industrial buildings aged 30 years or above, so as to make it easier for owners of industrial buildings to apply for redevelopment.

3. DSD(P&L)1 responded that, to encourage the provision of suitable land and premises to meet the development needs of Hong Kong, the application threshold for compulsory orders under the LCSRO to sell the whole lot for redevelopment had already been lowered from 90% to 80% of ownership for industrial buildings aged 30 years or above situated in non-industrial zones on 1 April 2010, with a view to better utilizing the precious land resources and helping address multiple ownership in industrial buildings. DSD(P&L)1 further advised that while there had been calls for further lowering the application threshold to expedite the redevelopment of industrial buildings, the Administration had no plan to do so at this stage, bearing in mind that any adjustment to the application threshold would affect the small and medium enterprises ("SMEs") operating their business in industrial buildings.

Wholesale conversion of industrial buildings for "transitional accommodation" use

4. Mr Christopher CHUNG enquired whether the Administration would consider relaxing the relevant building and safety requirements to facilitate owners of industrial buildings to wholly convert their buildings for "transitional accommodation" use on an interim basis.

5. DSD(P&L)1 advised that the Administration had examined the feasibility of the option of allowing wholesale conversion of industrial buildings for "transitional accommodation" use in the context of the policy on revitalization of industrial buildings. From the building control perspective, it was considered inappropriate to relax the relevant building and safety requirements from the perspective of safeguarding the safety and well-being of residents. If an industrial building was to be converted for residential use, it should be required to comply with the building standards and requirements for domestic buildings. This 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 likely reduce the floor area within the converted

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building useable for "transitional accommodation", making the market rental level of the resultant "transitional accommodation" units unlikely affordable to the lower-income households at which the suggested initiative targeted. For industrial areas or sites which were suitable for conversion to residential use, the Administration considered that the most direct way to encourage the change of use was to rezone those suitable industrial land for residential use.

6. The Deputy Chairman expressed disappointment that the Administration considered the option of "transitional accommodation" not practicable. He was of the view that the existing living environment of most subdivided units ("SDUs") and bedspace apartments were even more undesirable and dangerous than that of converted industrial buildings. Dr KWOK Ka-ki, Mr LEE Cheuk-yan and Mr Paul TSE shared the views of the Deputy Chairman. They urged the Administration to consider relaxing the relevant building and safety requirements for converting industrial buildings into transitional flats to address the plight of poorly-housed households, in particular those living in SDUs in industrial buildings. Miss Alice MAK also expressed concern about the poor living conditions of SDU tenants. Mr TSE further proposed that the Administration should consider decriminalizing SDUs as such units could provide temporary accommodation to the grassroots. The Chairman remarked that the Administration should adopt a more flexible approach in revising the prevailing planning and building regulations to allow owners to wholly convert their industrial buildings for "transitional accommodation" use on an interim basis.

7. DSD(P&L)1 responded that the operation of bedspace apartments was regulated by the Bedspace Apartments Ordinance (Cap. 447), which provided for the regulation, supervision and safety of bedspace apartments. As regards SDUs, unauthorized building works which had violated the Buildings Ordinance (Cap. 123) ("the BO") and other relevant legislation were subject to law enforcement by the Buildings Department ("BD"). SDUs in domestic buildings which were not bedspace apartments and which did not involve unauthorized building works would not be subject to such regulation and law enforcement actions. On the option of "transitional accommodation" in industrial buildings, DSD(P&L)1 explained that the specific building standards and requirements for domestic buildings under BO, including the provision of natural lighting, ventilation, fire safety, etc. were stipulated on safety and health grounds for protecting the well-being of occupants. While the relevant regulations could be changed subject to Legislative Council's approval of the necessary legislative amendments, it was not advisable from the building and fire safety point of view to relax such standards and requirements as this would compromise the safety and health of occupants. In addition, it was also necessary to carefully assess whether the proposed conversion would be compatible with the operation of existing neighbouring industrial buildings. On

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balance, the Administration was of the view that safety should not be compromised in attempting to address the need for housing and the option of "transitional accommodation" in industrial buildings was considered not practicable.

8. In response to the Deputy Chairman's further enquiries, the Deputy Director of Lands (General) ("DD of L(G)") advised that a package of measures to facilitate the redevelopment and wholesale conversion of older industrial buildings ("the revitalization measures") had come into operation in April 2010. Under the revitalization measures, as at the end of June 2013, there were three applications for redevelopment to residential use approved by the Lands Department ("LandsD"). In respect of wholesale conversion of industrial buildings for hotel use, DD of L(G) advised that it would be stipulated in the special waiver document for the building concerned that any sale of individual hotel room units would be prohibited.

9. Mr WONG Yuk-man expressed support for the various considerations of the Administration in not pursuing the option of allowing wholesale conversion of industrial buildings for "transitional accommodation" use. He opined that the crux of the housing problem was inadequate supply of land and the Administration should step up its efforts to increase land supply for public housing development. Mr IP Kwok-him shared Mr WONG's views that the Administration should ensure the provision of sufficient housing land.

10. While noting that the option of "transitional accommodation" was considered not practicable, Dr Fernando CHEUNG expressed concern about the significant upsurge in the number of non-elderly one-person applicants on the Waiting List for allocation of public rental housing ("PRH") units. He asked if the Administration would implement other measures to honour the pledge made by the Chief Executive ("CE") in his election manifesto in respect of shortening the waiting time for PRH applicants aged 35 or below. DSD(P&L)1 responded that the Administration had been adopting a multi-pronged approach to increase housing land supply in the short, medium and long term. For instance, five government sites had been/were being rezoned from industrial to residential use, mostly for allocation for public/subsidized housing development. The Administration would also continue with the planning reviews on industrial areas with a view to identifying suitable industrial sites for rezoning to uses in higher demand in the community, including residential use.

11. In response to Miss Alice MAK's enquiry about the process of rezoning an industrial site to residential use, DSD(P&L)1 explained that the Planning Department ("PlanD") had been conducting Area Assessments of Industrial Land in the Territory ("Area Assessments") to identify land that could be rezoned to uses in higher demand in the community, including residential use.

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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 about 30 hectares for residential use. He further advised that PlanD was conducting a new round of Area Assessments, which would examine the usage of the floor space of industrial buildings in various zonings and provide a projection of the industrial land demand in Hong Kong in the medium to long term. It was expected that the results and recommendations would be available by 2014.

12. Mr Frederick FUNG said that he was not convinced of the Administration's considerations that the option of "transitional accommodation" was not practicable. In view of the lead time for construction of PRH, he opined that the Administration should expeditiously review all the relevant regulations to facilitate industrial building conversion as it would be a faster way to increase flat supply. Mr LEUNG Che-cheung also held the view that concerns on fire safety, hygiene and structural in relation to any such conversion could be addressed. He enquired if there had been any case in which vacant or under-utilized industrial buildings were changed to residential use.

13. DSD(P&L)1 responded that under the revitalization measures, industrial buildings in all non-industrial zones were eligible for application for redevelopment if the proposed new uses of the redeveloped building would comply with the relevant statutory town plan, i.e. the proposed new uses were permitted in the respective land use zones. The Urban Renewal Authority had also launched redevelopment projects of industrial buildings in the form of a pilot scheme. DSD(P&L)1 said that the Administration would continue to encourage the redevelopment of under-utilized industrial buildings in appropriate zoning to release more land for residential and other uses.

14. Mr Paul TSE declared that he was an owner of some industrial building units. He queried whether the Administration had examined the feasibility of allowing the wholesale conversion of industrial buildings for "transitional accommodation" use before CE and the Chief Secretary for Administration had announced such initiative in September 2012. DSD(P&L)1 explained that the conversion option was then a preliminary idea of the Administration with a view to making full use of existing industrial buildings. As soon as the announcement had been made, the Administration expeditiously studied in detail the viability of the option in the context of the policy on revitalization of industrial buildings.

15. Mr LEUNG Kwok-hung commented that the Administration had not proactively identified more suitable industrial sites for rezoning to residential use, and had given the public a false hope that the wholesale conversion of industrial buildings would help provide small transitional flats for inadequately housed households on an interim basis. Dr KWOK Ka-ki also criticized the

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Administration for transferring benefits to large consortia and private property developers who owned a large amount of industrial buildings and would be profiteering from redeveloping or wholly converting their industrial buildings for business uses.

16. DSD(P&L)¹ explained that owners who applied for redevelopment of their industrial buildings would be charged a land premium if their proposed redevelopment projects required a lease modification or land exchange. There was no question of collusion between the Government and individual property developers or consortia nor any transfer of benefits.

Enforcement actions against SDUs in industrial buildings

17. Mr KWOK Wai-keung criticized the Administration for not taking proactive enforcement actions against SDUs in industrial buildings, which in turn had resulted in the increase of SDUs in Hong Kong. Mr WU Chi-wai echoed that tightened enforcement actions should be taken against SDUs in industrial buildings to reinforce public awareness of the fact that using an industrial unit for domestic purpose would pose a high risk to inhabitants.

18. The Assistant Director of Buildings (New Buildings)¹ responded that industrial buildings were neither designed nor suitable for residential use and the use of an industrial unit for domestic purpose would pose a high risk to residents. As such, SDUs in industrial buildings were the target of enforcement actions. BD had launched a large scale operation to inspect 200 target buildings per year, including industrial buildings, to identify and rectify irregularities of building works associated with SDUs. Appropriate enforcement actions against the irregularities identified, such as the issuance of removal orders, would be taken in accordance with the relevant legislation. A host of measures had also been put in place to provide financial assistance and accommodation to SDU tenants who were required to move out of their units as a result of BD's enforcement actions. BD had also established social services teams to provide the necessary social and emotional support to displaced tenants.

Operation of cultural and creative industries in industrial buildings

19. Noting that some owners would prefer to carry out redevelopment or wholesale conversion of their industrial buildings for commercial use, Mr KWOK Wai-keung expressed concern that the revitalization measures might make it difficult for some arts groups and arts practitioners to continue to operate in industrial buildings. He enquired whether the Administration would consider ways to assist groups and individuals in the cultural and creative industries, such as by setting aside part of the floor areas in a converted industrial building for their operation. Mr WU Chi-wai also pointed out that the

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revitalization measures had brought about speculative activities on industrial buildings, resulting in higher rentals and higher operating costs for the cultural and creative industries operating in industrial buildings. He therefore welcomed the Administration's decision to give up the option of wholesale conversion of industrial buildings for "transitional accommodation".

20. DSD(P&L)1 responded that the objective of the revitalization measures was to release the potential of older industrial buildings by redevelopment and wholesale conversion for other uses, and "transitional accommodation" was one of the possible options that the Administration had examined to facilitate better use of industrial buildings. He further advised that whether an industrial building was to be redeveloped or converted for any particular use was entirely a matter up to individual owners having regard to various factors. The Administration would not dictate the use of industrial buildings to be redeveloped or converted.

"Mixed development" concept for the redevelopment of industrial buildings

21. Mr IP Kwok-him enquired whether the Administration would consider adopting the concept of "mixed development" to redevelop industrial buildings in collaboration with private property developers, under which the private sector would build flats with a certain amount of gross floor area reserved for the Administration to develop public housing. DSD(P&L)1 advised that the plot ratio for industrial buildings was higher than that for residential ones and hence mixed use if allowed on town plan would imply reduction in gross floor area. In any event, redevelopment of privately owned industrial buildings into other uses including residential uses would be at the initiative of the owners of those buildings. The Administration would examine this option separately.

Statistics on applications for revitalization of industrial buildings

22. Ir Dr LO Wai-kwok expressed support for extending the deadline for submission of applications for redevelopment or wholesale conversion of industrial buildings for three years from 31 March 2013 to 31 March 2016, and requested for a more detailed statistical breakdown of the applications for revitalization of industrial buildings. He also enquired about the measures taken to encourage owners of industrial buildings to apply for redevelopment or wholesale conversion.

23. DSD(P&L)1 replied that up to the end of June 2013, LandsD had approved 71 applications under the revitalization measures, including 57 applications for wholesale conversion and 14 for redevelopment. Most of the applications received were made by owners of industrial buildings which were aged 15 years or above and were situated in "Other Specified Uses (Business)"

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zone under single ownership. According to relevant statistics, the total number of such industrial buildings was about 200 in the territory. DD of L(G) supplemented that under the revitalization measures, a dedicated team had been set up in LandsD to centrally process applications for redevelopment and wholesale conversion of industrial buildings. Practice Notes on application matters had also been issued to assist owners of industrial buildings and relevant professionals in making their applications.

II. Any other business

24. The Chairman reminded members that the Subcommittee would hold a public hearing to receive public views on the consultation document on the Long Term Housing Strategy review when it was released in September 2013. A report of the Subcommittee would be submitted to the Panel on Housing after the Subcommittee had completed its work.

25. There being no other business, the meeting ended at 4:30 pm.

Council Business Division 1
Legislative Council Secretariat
30 October 2013