

For discussion  
on 18 July 2017

**Legislative Council  
Panel on Commerce and Industry**

**Development of the InnoCell adjacent to Hong Kong Science Park**

**PURPOSE**

This paper briefs Members on the plan to develop an InnoCell adjacent to the Hong Kong Science Park (“HKSP”) and seeks Members’ support for the proposed financial arrangements of the project.

**BACKGROUND**

2. The missions of the Hong Kong Science and Technology Parks Corporation (“HKSTPC”) are to develop suitable premises, manage and control the land and other facilities to support technology-based companies and related activities; to facilitate the research and development and application of technologies in the manufacturing and service industries in Hong Kong; and to support the development, transfer and use of new or advanced technologies in Hong Kong. HKSP now occupies a 22-hectare site with a gross floor area (“GFA”) of about 330 000 m<sup>2</sup>. As at end-May 2017, the average occupancy rate is 81%. There are a total of about 650 local, Mainland and overseas technology companies (inclusive of incubatees) operating in the HKSP, employing nearly 13 000 persons. With the completion of the Science Park Expansion Stage 1 in 2020, the total GFA and direct employment will increase to approximately 400 000m<sup>2</sup> and 17 200 persons respectively.

3. Through its incubation and related programmes, HKSTPC has been providing one-stop support services for technology-based start-ups, such as office space and facilities, technical and management training, business promotion and development assistance, financial aid package and investment matching activities. All these aim to assist technology start-ups in the critical inception and early stages of their businesses and enable technology companies to grow and flourish. Currently, there are around 260 start-ups enrolled in these incubation programmes.

4. The 2017 Policy Address announced that the Government would support HKSTPC in constructing an InnoCell adjacent to the HKSP in order to further foster the development of the innovation and technology (“I&T”) ecosystem. The InnoCell will provide residential units with flexible design and ancillary facilities, such as shared working spaces at an affordable rate, for leasing to the tenants and incubatees of the HKSP for their principals, employees or visiting researchers from the Mainland or overseas.

## **JUSTIFICATIONS**

### *Accommodation Need of Science Park Tenants*

5. The market survey and demand study for InnoCell carried out by HKSTPC in 2016 revealed that -

- (a) there was a good deal of interest in short to medium term (one to 48 months) “on-campus” living accommodation within the HKSP community. A majority believed that the provision of suitable staff accommodation was an extremely important or very important factor in considering whether to stay in the HKSP, especially for start-up technology companies;
- (b) there was a general lack of affordable housing nearby for employees working in the HKSP, particularly for overseas and mainland employees. Many employees had to live in Tai Po, while others had to commute daily between Shenzhen and the HKSP;
- (c) many HKSP tenants/ incubatees reiterated the importance of accommodation in attracting and retaining both local and overseas talents; and
- (d) researchers and start-ups generally worked long and flexible hours. The living and co-working environment offered by the InnoCell would cater for the related need and help foster cross-fertilisation of ideas and collaboration among members of the community.

6. It is becoming more common for science parks around the world to provide accommodation to I&T talents. For example, in the Hsinchu Science Park in Taiwan, working dormitories within the park are available as an ancillary facility; in the Zhangjiang InnoPark in Shanghai, talent apartments in the form of low-rent housing are provided to young technology professionals to address their acute accommodation needs; and in the WeLive in New York,

“co-working” and “co-living” housing units are provided, offering a one-stop accommodation solution to travelling and residing entrepreneurs.

### *Economic Case*

7. The HKSTPC has engaged a consultant to consider the economic impact of the InnoCell. The study concluded that the InnoCell would benefit the development of companies in the HKSP by attracting new employees from the Mainland/ overseas and retaining existing ones. It is estimated that about 300 employment opportunities will be created (of which 100 are supporting staff of the InnoCell), and a direct value added of more than HK\$110 million and approximately HK\$56 million of indirect and induced value added will be generated per year<sup>1</sup>. Over the three-year construction period, it is estimated that the development of the InnoCell will result in more than HK\$180 million value added and 354 man-years of employment.

8. The InnoCell will set a precedent for “on-site” accommodation for the I&T sector in Hong Kong and will boost the attractiveness and competitiveness of the HKSP. It will help support the expansion programme of the HKSP, create a more vibrant I&T ecosystem, provide additional incentive for attracting and retaining talents, showcase “Smart Home” products developed in the HKSP, and enhance collaboration among local and overseas talents.

## **IMPLEMENTATION PLAN**

### *Target Tenants and Admission Criteria*

9. The target tenants of the InnoCell will mainly be three groups of I&T talents in the HKSP, namely principals of tenants/ incubatees; overseas or Mainland employees of existing tenants/ incubatees; and overseas or Mainland visiting scientists/ researchers in cooperation with the HKSTPC or its tenant companies/ incubatees. The preliminary admission criteria are as follows -

- (a) principals of tenants/ incubatees – the individual’s contribution to I&T sector, achievements and skills, potential for cooperation with other companies, etc. will be considered. Applicant will be required to declare that he/ she does not solely, jointly nor through a company own any residential property in Hong Kong;

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<sup>1</sup> All value added figures in paragraph 7 are at 2014 prices.

- (b) overseas or Mainland employees of existing tenants/ incubatees – the individual should be a full-time staff member and is holding a valid working visa in Hong Kong; or
- (c) overseas or Mainland visiting scientists/ researchers – the individual will be required to prove his/ her participation in the relevant I&T-related projects/ programmes in the HKSP.

10. All applications will be considered on a case-by-case basis. An assessment panel will be formed by the HKSTPC to review the above criteria and assess admission applications. Detailed admission criteria and rental terms will be announced by the assessment panel in due course.

### *Rental Strategy*

11. Taking into account the market rent and the HKSTPC's operational expenses, the expected monthly rental of the InnoCell in year 2020, the projected completion date of the development, will be in the range of \$8,000 to \$10,000 for a furnished unit of about 18m<sup>2</sup> in size. In principle, it will be set at about 60% of the market rent of unfurnished property of similar quality in the nearby area. The proposed rent is considered reasonable and competitive for premises with dual functions both as working space and short to medium-term accommodation. The proximity to the HKSP is an add-on benefit due to its convenience, shared facilities and synergy with the technology community.

## **DEVELOPMENT PLAN**

### *Proposed Scope and Programme*

12. The InnoCell will be constructed on a piece of land at the corner of Chong San Road and Science Park Road in Pak Shek Kok adjacent to the south-east entrance of Science Park with an area of about 0.28 ha subject to detailed survey (**Annex A**) and falls within an area zoned "Government, Institution or Community" on the current Tai Po Outline Zoning Plan. The proposed building consists of an 18-storey tower with a maximum building height of 59.2 mPD. The proposed scheme will yield a total maximum GFA of about 15 300 m<sup>2</sup> (equivalent to a plot ratio of 5.4) and will provide about 500 cubicles. Common facilities (such as leisure rooms for reading/ computer and video games, gymnasium, laundry mart) and common rooms and etc. will be provided on G/F and M/F to allow spaces for communication, collaboration and leisure. A sitting lounge will be placed on M/F and small common rooms will also be provided on certain levels of the typical floors. All these common

### **Annex A**

facilities are for shared use by tenants and these would take up about 8-10% of the total maximum GFA of the proposed building.

13. The proposed development was approved with conditions<sup>2</sup> by the Town Planning Board on 5 May 2017. The Executive Council has agreed to grant the site to HKSTPC by private treaty at nominal premium.

14. The estimated development cost of the InnoCell is \$800 million at money-of-the-day prices (or \$677.9 million at September 2016 price level). This is equivalent to \$44,938 per square metre of construction floor area. Comments in regard to the design and cost from relevant departments have been taken into consideration. Smart home technologies such as mobile apps for reservation of communal space and check in/ out services, in-room handheld devices for control of guest entry, roller blinds, air-conditioning and lighting, etc. will be adopted in the design as appropriate.

#### *Proposed Financial Arrangements*

15. To demonstrate Government's strong commitment to the promotion of the I&T ecosystem in Hong Kong, we suggest providing financial support to the project in the form of government equity injection of \$560 million to HKSTPC and government guarantee for a commercial loan of \$240 million and the interest arising therefrom. The proposed financial arrangements for the project are as follows:

	%	\$ million
Government equity	70	560
Commercial loan guaranteed by the Government	30	240
<b>Total</b>	<b>100</b>	<b>800</b>

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<sup>2</sup> The planning permission is subject to the following approval conditions:

- (a) the design and provision of open space of not less than 1,000m<sup>2</sup> on the ground floor of the proposed development for public use, as proposed by the applicant, to the satisfaction of the Director of Planning or of the Town Planning Board;
- (b) the submission of a revised traffic impact assessment and implementation of the recommendations identified therein to the satisfaction of the Commissioner for Transport or of the Town Planning Board;
- (c) the submission and implementation of a tree preservation and landscape proposal to the satisfaction of the Director of Planning or of the Town Planning Board; and
- (d) the provision of fire service installations and water supplies for fire fighting to the satisfaction of the Director of Fire Services or of the Town Planning Board.

16. In determining the financial arrangements of the InnoCell, we have taken into account HKSTPC's financial position, projected income and expenditure, planned capital works projects in coming years. HKSTPC's cashflow projection is at **Annex B**.

17. Subject to funding approval from the Finance Committee ("FC") by the end of 2017, construction will commence in the first half of 2018 for completion by late 2020.

#### *Public Views*

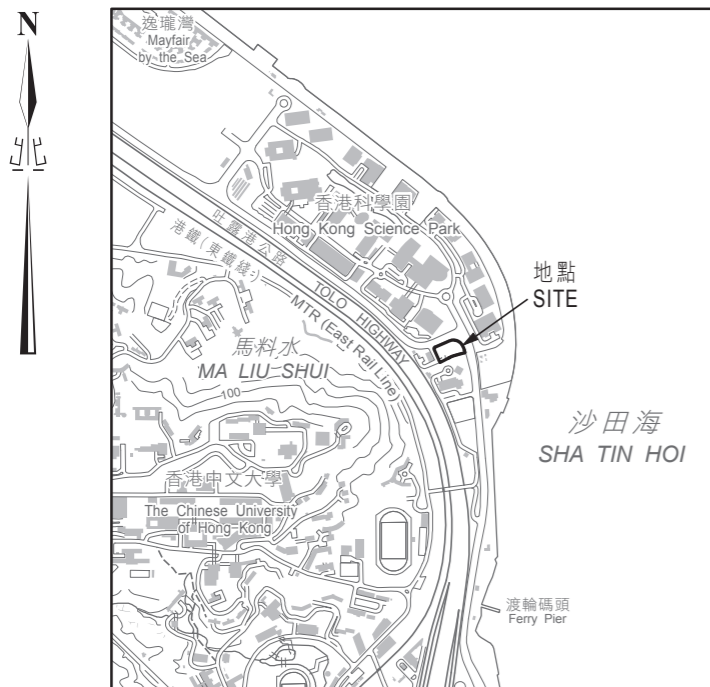
18. The InnoCell project was first announced in the 2017 Policy Address and is generally welcomed by the public, particularly the I&T community, as it is an important new infrastructure of the HKSP to help foster the development of an I&T ecosystem in Hong Kong. The public also welcomes the creation of jobs and the economic benefits to be generated by this development. The Development and Housing Committee of the Sha Tin District Council was consulted on 6 July 2017. While members were generally supportive of this project, some were concerned with the likely traffic impact of the project and the admission of suitable tenants. To address their concerns, HKSTPC will implement appropriate traffic improvement measures and ensure that the admission criteria are fair and transparent.

#### **ADVICE SOUGHT**

19. Members are invited to support the development of the InnoCell and the proposed financial arrangements as set out in paragraph 15 above. Subject to Members' agreement, we will proceed to seek approval from FC.

**Innovation and Technology Bureau**  
**Innovation and Technology Commission**  
**July 2017**

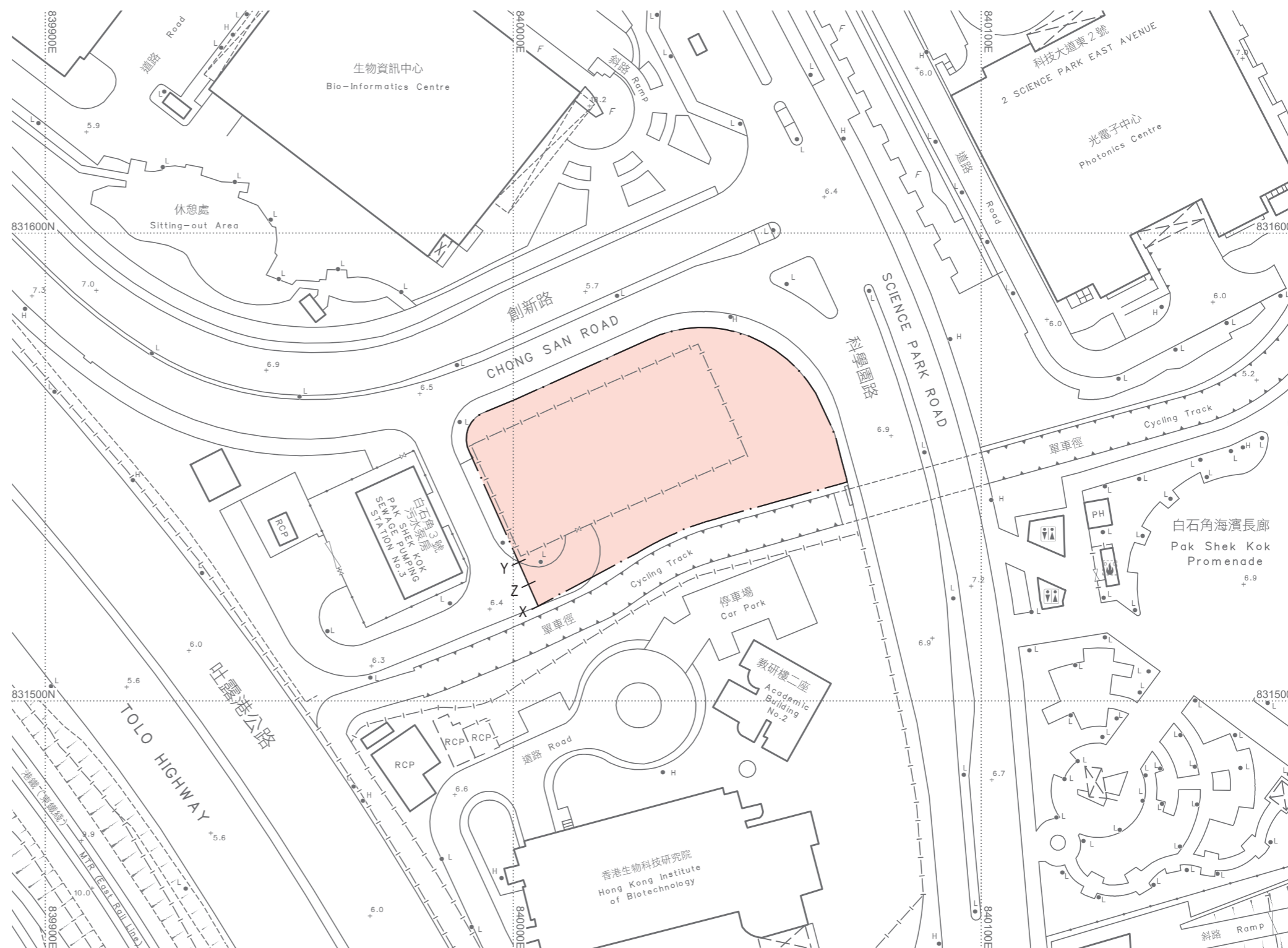
位置 LOCATION



比例 SCALE 1 : 20000

有關的特別條件  
SPECIAL CONDITIONS REFER

點 POINTS X Y Z  
擬議汽車出入口  
(PROPOSED VEHICULAR ACCESS POINT)



以粉紅色標示的面積約為 2 870 平方米  
COLOURED PINK AREA 2 870 SQUARE METRES (ABOUT)



只作識別用 FOR IDENTIFICATION PURPOSES ONLY

地政總署 大埔地政處  
District Lands Office, Tai Po  
Lands Department  
圖則由大埔測量處繪製  
Plan Prepared by District Survey Office, Tai Po

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大埔市地段第 245 號  
TAI PO TOWN LOT No.245

檔案編號 File No. DLO/TP 97/TLT/64  
測量圖編號 Survey Sheet No. 7-NE-17D  
分區計劃大綱圖編號 O.Z.P. No. S/PSK/13  
參考圖編號 Reference Plan No. -----  
圖則編號 PLAN No. TPM6232-X

**Cash Flow Projection of the Hong Kong Science and Technology Parks Corporation (in \$ million)**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>2030-31</u>
<b>Opening cash balance</b>	1,041	10,475	10,047	6,072	2,766	899	211	219	489	17	291	533	746	950	1,041
<b>Net cash flow of HKSTPC excluding InnoCell Project financing</b>	9,434	(959)	(3,750)	(3,168)	(1,703)	(659)	15	277	(465)	281	249	220	211	98	210
<b>Available cash excluding InnoCell Project financing</b>	10,475	9,516	6,297	2,904	1,063	240	226	496	24	298	540	753	957	1,048	1,251
<b>InnoCell's development cost (Note 1)</b>		(29)	(225)	(367)	(157)	(22)									
<b>Government equity injection</b>		560													
<b>Commercial loan with Government guarantee</b>				240											
<b>Repayment of commercial loan (Note 2)</b>				(11)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
<b>Ending cash balance</b>	<b>10,475</b>	<b>10,047</b>	<b>6,072</b>	<b>2,766</b>	<b>899</b>	<b>211</b>	<b>219</b>	<b>489</b>	<b>17</b>	<b>291</b>	<b>533</b>	<b>746</b>	<b>950</b>	<b>1,041</b>	<b>1,244</b>

**Note 1:**

The total development cost of InnoCell is estimated to be \$800 million, which will be funded by \$560 million government equity injection and a commercial loan of \$240 million with government guarantee.

Details of Government's financial support in various forms:

<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Total</u>
-	560	-	240	-	800

**Note 2:**

This includes basically interest payment only with the principal to be repaid in the fiscal year 2033-34.