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Panel on Development

Meeting on 19 December 2018

Background brief on revitalization of industrial buildings

Purpose

This paper provides background information on revitalization of industrial buildings and summarizes the views and concerns expressed by Members on the subject at meetings of the Legislative Council ("LegCo"), the Panel on Development ("DEV Panel") and other committees/subcommittees since the 2012-2013 legislative session.

Background

2. In October 2009, the Administration announced a set of time-limited revitalization measures for industrial buildings (hereinafter referred to as "revitalization scheme") for implementation from 1 April 2010 for three years to encourage the provision of more floor space for suitable uses to meet Hong Kong's changing social and economic needs. The key measures included:

- *measures to encourage redevelopment of industrial buildings:*
 - (a) lowering the application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) ("LCSRO") 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 modified 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 exceeded \$20 million; and

- *measures 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 was earlier. These industrial buildings should be aged 15 years or above and situated in "Industrial", "Commercial" or "Other Specified Uses (Business)" zones.

3. The Administration completed a mid-term review on the revitalization scheme in September 2011,¹ following which the Chief Executive announced in the 2011-2012 Policy Address the extension of the revitalization scheme for three years until 31 March 2016. To allow more flexibility for wholesale conversion, the following refinements were introduced:

- (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 was no net increase in the total GFA after conversion; and

¹ Source: The Administration's paper on "Revitalisation of Industrial Buildings – An Update and Mid-term Review" (LC Paper No. [CB\(1\)1909/10-11\(06\)](#))

- (c) encouraging new applicants for wholesale conversion to obtain certification by the "BEAM Plus Assessment",² but they would not be required to obtain a mandatory rating.

4. During the implementation period from 2010 to 2016, the Administration received a total of 248 applications under the revitalisation scheme.³ As at 31 December 2017,⁴ the Administration had approved 99 cases for wholesale conversion and 14 cases for redevelopment, altogether with a capacity of providing a total gross floor area of about 1.86 million sq m of converted or new floor area for non-industrial uses, such as hotels, offices, shops and services, eating places, information technology and telecommunications, education institutions, and places of recreation, sports and culture.

Major views and concerns expressed by Members

5. The revitalization of industrial buildings and related issues were discussed at meetings of the DEV Panel and the Subcommittee on the Long Term Housing Strategy ("the Subcommittee").⁵ The major views and concerns of Members are summarized in the ensuing paragraphs.

Application threshold for compulsory sale orders

6. A member of the Subcommittee suggested the Administration to consider further lowering the application threshold for compulsory sale orders under LCSRO 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 under the revitalization scheme.

² The "BEAM Plus Assessment", recognized and certified by the Hong Kong Green Building Council, is a comprehensive set of performance criteria for a wide range of sustainability issues relating to the planning, design, construction, commissioning, management, operation and maintenance of a building.

³ Source: The Administration's paper on "Overview of land supply" (LC Paper No. [CB\(1\)461/16-17\(01\)](#))

⁴ Source: The Administration's reply to an initial written question in examining the Estimates of Expenditure for 2018-2019 ([Reply Serial No. DEVB\(PL\)013](#))

⁵ The Subcommittee was formed in the Fifth LegCo under the Panel on Housing to study all relevant housing-related information and ways to increase housing supply to meet the needs of various groups in the community, and make recommendations on the Long Term Housing Strategy.

7. The Administration 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, bearing in mind that any adjustment to the application threshold would affect the small and medium enterprises operating their business in industrial buildings.

Wholesale conversion for "transitional accommodation" use

8. Some members of the Subcommittee urged the Administration to 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, so as to provide an alternative for the lower-income households living in subdivided units or bedspace apartments with poor living environment and safety concerns.

9. The Administration advised that it had examined the option of allowing wholesale conversion of industrial buildings for "transitional accommodation" use in the context of the policy on revitalization of industrial buildings.⁶ After the examination, the Administration considered the option not practicable and it 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.

10. The Administration explained that from the building control perspective, industrial buildings generally did not meet the design and planning requirements for domestic use, and would need to undergo substantial and usually costly alteration works in order to convert the buildings for "transitional accommodation" use. It was inappropriate to relax the relevant building and safety requirements as this would compromise the safety and well-being of the occupants. 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. It was necessary to carefully assess whether the conversion would be compatible with the operation of existing neighbouring industrial buildings. From the land lease perspective, although wholesale conversion of an existing industrial building for "transitional accommodation" use could be effected through application for special waiver, the prerequisite was that the proposed conversion had to satisfy all the relevant town planning and building requirements.

⁶ Source: The Administration's paper on "Revitalisation of Industrial Buildings" (LC Paper No. [CB\(1\)1529/12-13\(01\)](#))

11. Some members of the Subcommittee agreed with the Administration's various considerations in not pursuing the option of allowing wholesale conversion of industrial buildings for "transitional accommodation" use. They 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.

Use of industrial buildings by arts and cultural industries

12. Some members of the DEV Panel and the Subcommittee expressed concerns that many arts and cultural practitioners who operated arts workshops and studios in industrial building units had been forced to move out due to the sharp rise of rentals since the implementation of revitalization of industrial building. They urged the Administration to assist these affected arts and cultural practitioners to relocate and continue their operation, such as by setting aside part of the floor areas in a converted industrial building for their operation.

13. The Administration 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.

Reviewing the definition and coverage of "industrial" and "godown" uses in land leases

14. Some members of DEV Panel called on the Administration to consider including mini-storages and modern logistics under the definition and coverage of "industrial" and "godown" uses in land leases. This would help promoting the development of modern logistics facilities. The Administration advised that it would consider whether and the extent to which the coverage of "industrial" and "godown" uses should be expanded, bearing in mind previous cases of breach of land leases conditions.

Council motion and questions

15. Five questions related to revitalization of industrial buildings were raised by Members at the Council meetings of 12 December 2012, 19 February and 22 October 2014, 10 June 2015 and 9 November 2016. The hyperlinks are in the **Appendix**.

Latest developments

16. In her 2018 Policy Address, the Chief Executive announced that the Administration will reactivate the revitalization scheme for industrial buildings. Under the new version of the revitalization scheme, wholesale conversion of industrial buildings for transitional housing use will be allowed under a set of criteria. The Administration will encourage owners of industrial buildings to collaborate with non-government institutions to provide transitional housing, so as to provide more suitable accommodation for those yet to be allocated public rental housing or other grassroots citizens with housing needs. A task force under the Transport and Housing Bureau will provide one-stop, co-ordinated support to facilitate the community in pursuing transitional housing.

17. Under the new version of the revitalization scheme, the Administration will also promulgate a wider definition for "godown" uses under lease provisions of industrial buildings to cover cargo handling and forwarding operations and recyclable collection centres.

18. At the DEV Panel meeting to be held on 19 December 2018, the Administration will brief members on the reactivation of the revitalization scheme for industrial buildings.

Relevant papers

19. A list of relevant papers with their hyperlinks is in the **Appendix**.

Revitalization of industrial buildings

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Development	20 April 2011	Administration's paper on "Revitalisation of Industrial Buildings — An Update and Mid-term Review" [LC Paper No. CB(1)1909/10-11(06)] Minutes of meeting [LC Paper No. CB(1)2691/10-11]
Council	12 December 2012	Hansard — oral question (No. 3) on "Changing Use of Sites and Premises of Industrial Buildings to Increase Housing Supply" (p. 31-43)
Subcommittee on the Long Term Housing Strategy	16 July 2013	Administration's paper on "Revitalization of industrial buildings" [LC Paper No. CB(1)1529/12-13(01)] Minutes of meeting [LC Paper No. CB(1)191/13-14]
Council	19 February 2014	Hansard — oral question (No. 2) on "Impact of Industrial Building Revitalization Measures on Cultural and Arts Workers " (p. 22-32)
Council	22 October 2014	Hansard — written question (No. 19) on "Revitalization of Industrial Buildings" (p. 129-135)
Council	10 June 2015	Hansard — written question (No. 14) on "Assistance Provided for Occupants of Sub-divisions of Flat Units in Industrial Buildings" (p. 108-112)

Council/ Committee	Date of meeting	Paper
Council	9 November 2016	Hansard — written question (No. 13) on "Enforcement actions against breaches of land lease conditions in industrial buildings" (p. 105-111)
Panel on Development	24 October 2017	Administration's paper on "Initiatives of Development Bureau in the Chief Executive's 2017 Policy Address and Policy Agenda" [LC Paper No. CB(1)57/17-18(01)]
Panel on Development	23 October 2018	Administration's paper on "Initiatives of Development Bureau in the Chief Executive's 2018 Policy Address and Policy Agenda" [LC Paper No. CB(1)15/18-19(01)]