

**For discussion
on 7 June 2021**

Legislative Council Panel on Housing

Study Results of the Redevelopment of Hong Kong Housing Authority's Factory Estates and Clearance Arrangements

Purpose

This paper briefs Members of the results of the study on the redevelopment of Hong Kong Housing Authority (HA)'s factory estates and the arrangements for the clearance of four factory estates.

Background

2. HA currently manages six factory estates, namely Yip On Factory Estate in Kowloon Bay, Sui Fai Factory Estate in Fo Tan, Wang Cheong Factory Estate in Cheung Sha Wan, Kwai On and Chun Shing Factory Estates in Kwai Chung and Hoi Tai Factory Estate in Tuen Mun.

3. In the 2019 Policy Address (PA), the Chief Executive invited HA to explore the feasibility of redeveloping its factory estates for public housing use, particularly to increase the supply of public rental housing units. HA then conducted the necessary impact assessments including traffic, sewerage, air quality, noise, air ventilation and visual assessment to ascertain the technical feasibility of the use of the factory estate sites for public housing. Based on the preliminary findings, it was mentioned in the 2020 PA and the Long Term Housing Strategy Annual Progress Report 2020 that three (out of the six) factory estate sites could be used for public housing development, which could provide over 3 000 units in 2031. HA has now completed the study.

Study Results

4. According to the results of the study on the feasibility to redevelop HA's factory estates for residential use, the sites at Yip On, Sui Fai, Wang Cheong and Kwai On Factory Estates are technically feasible for housing development. Chun Shing and Hoi Tai Factory Estates are considered not feasible for housing development due to the substantial noise, air quality and odour issues and on which no effective mitigation measures can be adopted for the time being. Redevelopment of these two sites for housing development will not be further pursued at this stage unless there are significant improvements in the environment in the nearby areas in future. The study results were endorsed by the Strategic Planning Committee of HA at its meeting on 23 April 2021. For details, please refer to the Memorandum for the HA at **Annex**.

Letting Position of the Four Factory Estates Proposed to be Redeveloped

5. There are a total of 4 822 units, with a total internal floor area of about 121 400 m² in the four factory estates proposed to be redeveloped. According to the transitional arrangement during the period of rent concession provided by HA to eligible non-domestic tenants ^{Note 1}, licences have been granted to tenants upon tenancy expiry to enable them to continue their use and occupation of the premises at existing rent. As at 31 March 2021, there were 903 tenancies and 1 185 licences (totaling 2 088 tenancies/licences) for factory units in the four factory estates with an overall occupancy rate of around 97%. There is also one shop unit in Yip On Factory Estate.

Clearance Package

6. Although HA has the right to terminate tenancies by giving due notice and tenants are not legally or contractually entitled to any form of compensation, it is HA's established practice to provide relevant arrangements to tenants affected by redevelopment/clearance to assist their relocation. The Commercial Properties Committee of HA approved on 24 May 2021 the announcement of the clearance of the four factory estates on the same day, as well as the clearance package for affected tenants, having regard to previous practice and current circumstances. The major arrangements are as follows -

- (a) to give affected tenants/licensees an 18-month notice from the date of announcement of clearance (i.e. 24 May 2021) to vacate their premises;
- (b) to pay ex-gratia allowance (EGA) to affected tenants/licensees at 15 months' rent/licence fee as specified under the tenancy/licence as at the date of announcement of clearance (i.e. 24 May 2021) ;
- (c) to arrange restricted tender for affected tenants/licensees to bid for vacant factory units in Chun Shing and Hoi Tai Factory Estates, provided that the size of the units that they bid will not exceed the size of their existing premises. A three-month rent-free period will be granted to those tenants/licensees who successfully lease factory units through the restricted tender;
- (d) if there are still vacant units remaining after the restricted tender exercise, open tender will be arranged. Affected tenants/licensees who have not leased any unit through the restricted tender may participate in the open tender and can bid for units of any size. Those who have not leased any unit through the restricted tender above and successfully lease units under the open tender exercise (if such is conducted) will also be offered a three-month rent-free period;

Note 1 HA provided a 50% rent concession for eligible retail and factory tenants for the period from October 2019 to March 2020; and a 75% rent concession for eligible non-domestic tenants under extended coverage for the period from April 2020 to September 2021.

- (e) to pay a cash sum of \$25,400 per standard unit to affected tenants/licensees who do not lease units in Chun Shing and Hoi Tai Factory Estates ^{Note 2};
- (f) to offer an additional cash sum of \$100,000 per tenancy/licence for affected tenants/licensees who do not lease units in Chun Shing and Hoi Tai Factory Estates and vacate their premises within nine months from the date of announcement of clearance, with a view to providing further incentive to encourage affected tenants/licensees to find suitable space in the private sector or make other plans earlier;
- (g) to freeze rent increase from the date of announcement of clearance. For affected tenancies due for renewal after the date of announcement, to grant monthly licences to tenants upon expiry of the tenancies at re-assessed licence fees not exceeding the rents payable under the existing tenancies as at the date of announcement of clearance;
- (h) for licences granted during the rent concession period, to allow the licensees to continue occupying the premises under monthly licences at re-assessed licence fees not exceeding those payable under the existing licences as at the date of announcement of clearance. Such licence fees will be assessed as at 1 June 2021 and will take effect on the same day;
- (i) for the shop tenant in Yip On Factory Estate, to pay EGA at 15 months' rent specified in the tenancy agreement as at the date of announcement of clearance; and to offer restricted tender opportunity to lease shopstalls in HA's markets with a three-month rent-free period or a lump sum payment of \$137,000 in lieu of restricted tender opportunity; and
- (j) upon expiry of tenancy for the shop, to grant licence at re-assessed licence fee not exceeding the rent payable under the existing tenancy as at the date of announcement of clearance.

7. HA had issued a press release on 24 May 2021 to announce the results of the study on the redevelopment of HA's factory estates and the clearance arrangements. Affected tenants/licensees have also been notified individually of the details of the clearance package and arrangements. HA will continue to maintain close liaison with them to address their views and concerns.

Note 2 Affected tenants may choose to relocate to vacant factory units in the private sector, which are of abundant supply. Some of them may also take the opportunity to wind up their businesses and retire. According to the statistics of the Rating and Valuation Department, there is 1 037 600m² vacant factory space in the private sector, representing 6.4% of the total stock, as at the end of 2020. Over half of the vacant space is located in Kwun Tong, Kwai Tsing and Tsuen Wan.

Next Step

8. We will proceed with the rezoning process of the sites at Yip On, Sui Fai and Wang Cheong Factory Estates for residential purpose. For the site at Kwai On Factory Estate, we will work out the development programme with relevant Government departments and initiate the rezoning process upon resolution of the judicial review cases pertinent to the draft Kwai Chung Outline Zoning Plans.

**Transport and Housing Bureau
May 2021**

Memorandum for the Hong Kong Housing Authority

Study Results of the Redevelopment of Housing Authority's Factory Estates

PURPOSE

This paper informs Members of the outcome of the study on the redevelopment of Housing Authority (HA)'s factory estates and related arrangements.

BACKGROUND

Study on the Feasibility to Redevelop HA's Factory Estates

2. There are six factory estates, namely, Yip On Factory Estate in Kowloon Bay, Sui Fai Factory Estate in Fo Tan, Wang Cheong Factory Estate in Cheung Sha Wan, Kwai On and Chun Shing Factory Estates in Kwai Chung, and Hoi Tai Factory Estate in Tuen Mun (see **Site Plans 1 to 6**).

3. In the 2019 Policy Address (PA), the Chief Executive invited HA to explore the feasibility of redeveloping its factory estates for public housing use, particularly to increase the supply of public rental housing (PRH) units. HA then conducted the necessary impact assessments including traffic, sewerage, air quality, noise, air ventilation and visual assessment to ascertain the technical feasibility of the use of the factory estate sites for public housing. Based on our preliminary findings, it was mentioned in the 2020 PA and the Long Term Housing Strategy Annual Progress Report 2020 that three (out of the six) factory estate sites can be used for public housing development which can provide over 3 000 units in 2031. We have now completed our study on the feasibility to redevelop the factory estates.

Study to Identify Necessary Fire Safety Improvement Works for Compliance with the Fire Safety (Industrial Buildings) Ordinance

4. As a related matter, all HA factory estates are subject to the control of the Fire Safety (Industrial Buildings) Ordinance (FS(IB)O) enacted in June 2020. According to the prevailing enforcement policy of the Buildings Department and the Fire Services Department, FS(IB)O will be implemented in two phases, i.e. Phase 1 for pre-March 1973 buildings and Phase 2 for post-March 1973 buildings. Since the six HA factory estates are under Phase 2, no immediate improvement works are required at this stage^{Note}. We have conducted a separate study to identify the necessary fire safety improvement works for compliance with the required standards under FS(IB)O. We have now also completed the study.

STUDY RESULTS

5. The study results on the feasibility to redevelop HA's factory estates for residential were examined and endorsed by the Strategic Planning Committee (SPC) on 23 April 2021. Key points are highlighted below –

- (a) **three factory sites (i.e. Yip On, Sui Fai and Wang Cheong) are technically feasible** for housing development. Based on our initial assessment, these three sites are capable of producing a total of some **4 200 units in 2031**;
- (b) a fourth site, the **Kwai On** site, is also technically feasible for housing development despite environmental challenges and can produce **some 600 units**. However, the exact timing for rezoning of this site is uncertain since the draft Kwai Chung Outline Zoning Plans (OZPs) are now subject to judicial reviews (JRs) and further amendment to the OZP is put on hold pending resolution of the JR cases. **The project commencement and completion dates are hence uncertain at this stage**;
- (c) the remaining **two sites**, namely **Hoi Tai** and **Chun Shing**, are considered **not feasible** for housing development due to the substantial noise, air quality and odour issues and on which no effective mitigation measures can be adopted for the time being. They will not be further pursued at this stage unless there are significant improvements in the environment in the nearby areas in future; and

Note All HA factory estates are equipped with fire sprinkler system and with routine maintenance. As such, the fire safety condition is satisfactory. In the meantime, we will continue to carry out routine maintenance works for all the six factory estates.

- (d) the usual flexibility among different types of public housing for the four sites will be maintained to cater for the demands of PRH, Green Form Subsidised Home Ownership Scheme and other subsidised sale flats. The exact type of housing to be adopted for individual sites can be determined nearer the time.

NEXT STEPS

Rezoning of the Relevant Sites for Residential Use

6. The sites at Sui Fai and Kwai On Factory Estates are currently zoned “Industrial”, while that for Wang Cheong and Yip On are currently zoned “Open Space” and “Other Specified Uses” annotated “Business” respectively. We will proceed with the rezoning process of the sites at Yip On, Sui Fai and Wang Cheong for residential purpose. For the Kwai On site, we will work out the development programme with relevant Government departments and initiate rezoning upon resolution of the JR cases pertinent to the draft Kwai Chung OZPs.

Clearance and Demolition of Buildings

7. HA’s primary function is to assist low-income families with housing needs to gain access to affordable housing. Given the need to deliver the 10-year public housing supply target of 301 000 units as announced in the Long Term Housing Strategy Annual Progress Report 2020, HA needs to focus its efforts and resources to meet the target. Management of factory premises is not HA’s core business. Besides, as revealed in our study on necessary fire safety improvement works for compliance with the FS(IB)O (paragraph 4 above refers), the improvement works required is costly. Therefore, it may not be cost-effective to carry out such works for the buildings which we intend to redevelop.

8. In view of the above, SPC endorsed to proceed with the clearance of the tenants of the four factory estates and thereafter demolition of the buildings while the rezoning exercise of the sites is in progress. Such an arrangement has the benefit of shortening the redevelopment programme and advancing flat production to meet the keen demand for public housing. In addition, since the exact timing required for rezoning individual sites is outside our control, with the demolition of the four factory estates upon clearance of the tenants therein, we can avoid spending a disproportionate amount of money for compliance with the FS(IB)O in the interim period pending completion of the rezoning process on activities which are no longer HA’s core business. Even if our proposals to rezone individual site(s) to residential use is not successful, we can still return the respective site(s) to the Government for other suitable uses and the resources to manage these factory estates can be redirected to managing the increased portfolio of PRH estates.

9. At its meeting on 24 May 2021, the Commercial Properties Committee endorsed the clearance package for affected tenants and other related arrangements.

PUBLICITY

10. A press release will be issued to announce the study results and the clearance arrangements in one go. Affected tenants will be individually notified. We will also brief the Legislative Council Panel on Housing about the study results and the clearance arrangements.

INFORMATION

11. This paper is issued for Members' information.

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Secretary, Housing Authority
Tel. No.: 2712 2712
Fax No.: 2624 5685

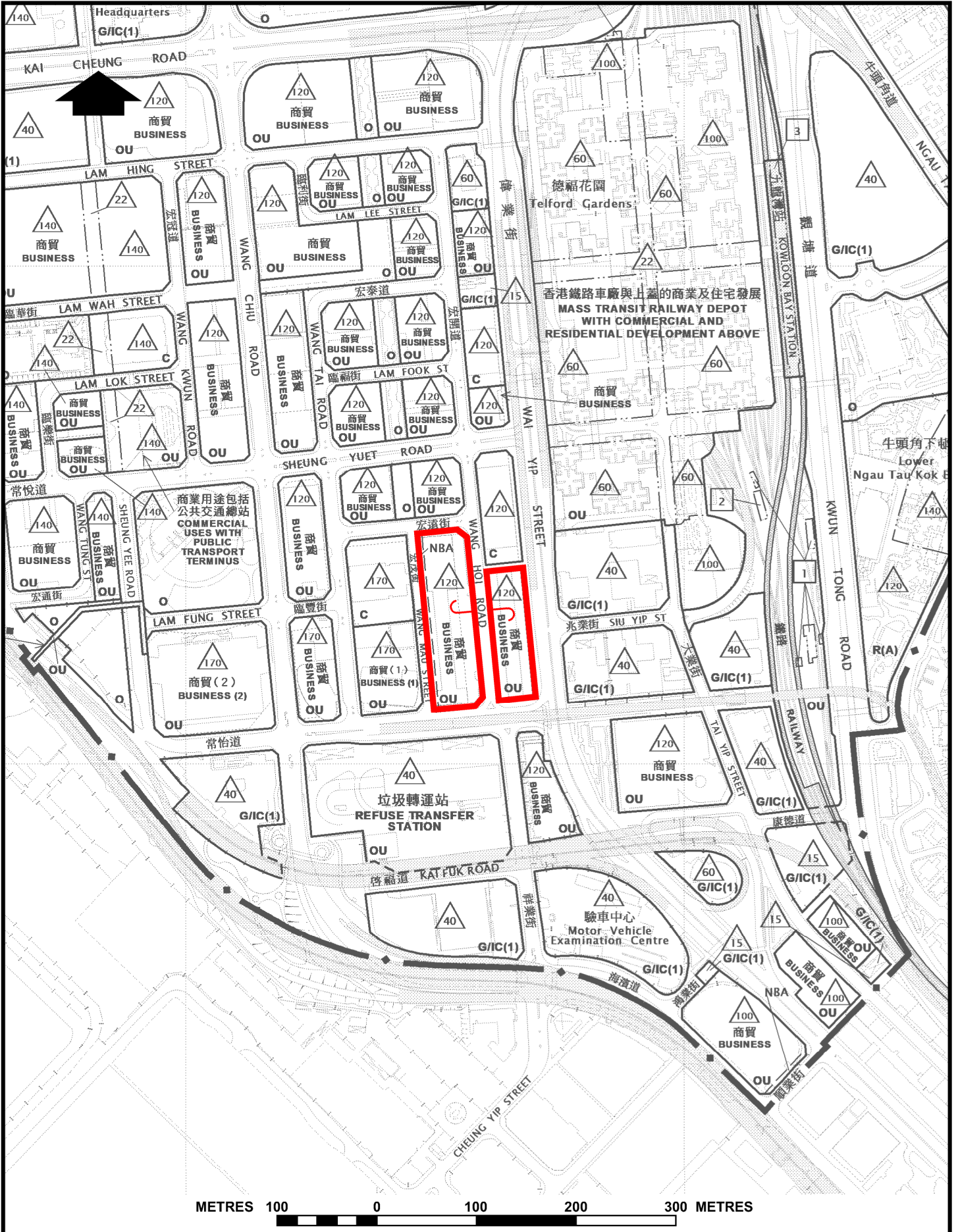
List of Plans

Plan 1 - Site Plan of Yip On Factory Estate
Plan 2 - Site Plan of Sui Fai Factory Estate
Plan 3 - Site Plan of Wang Cheong Factory Estate
Plan 4 - Site Plan of Kwai On Factory Estate
Plan 5 - Site Plan of Chun Shing Factory Estate
Plan 6 - Site Plan of Hoi Tai Factory Estate

c.c. Members of the Strategic Planning Committee
Members of the Commercial Properties Committee

File Ref. : HDCR2-5/PLAN2/10-15/9
(Development and Construction Division)

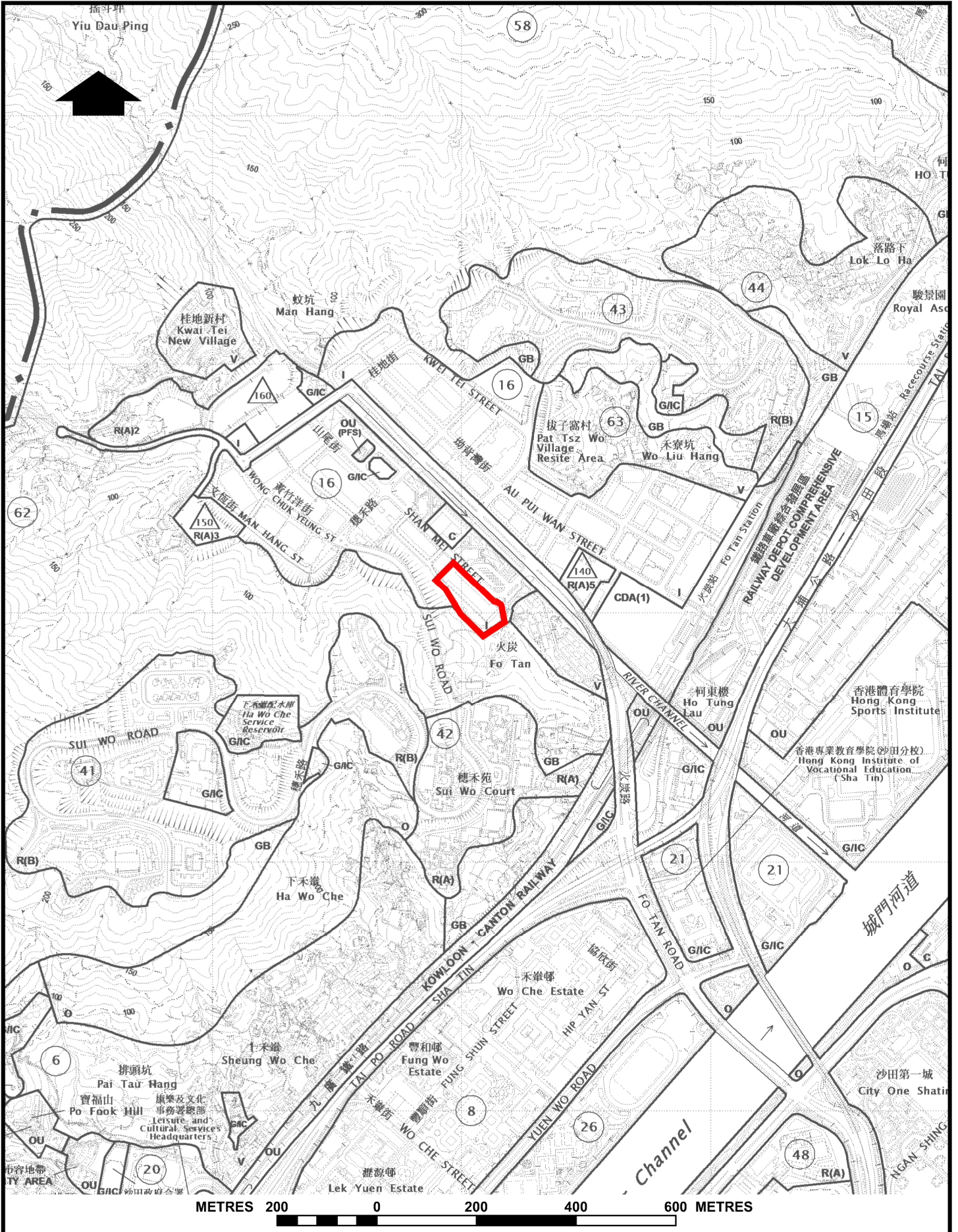
Date of Issue : 24 May 2021



YIP ON FACTORY ESTATE, KOWLOON BAY

 HOUSING DEPARTMENT
PLANNING SECTIONS

DATE :
21. 5. 2021

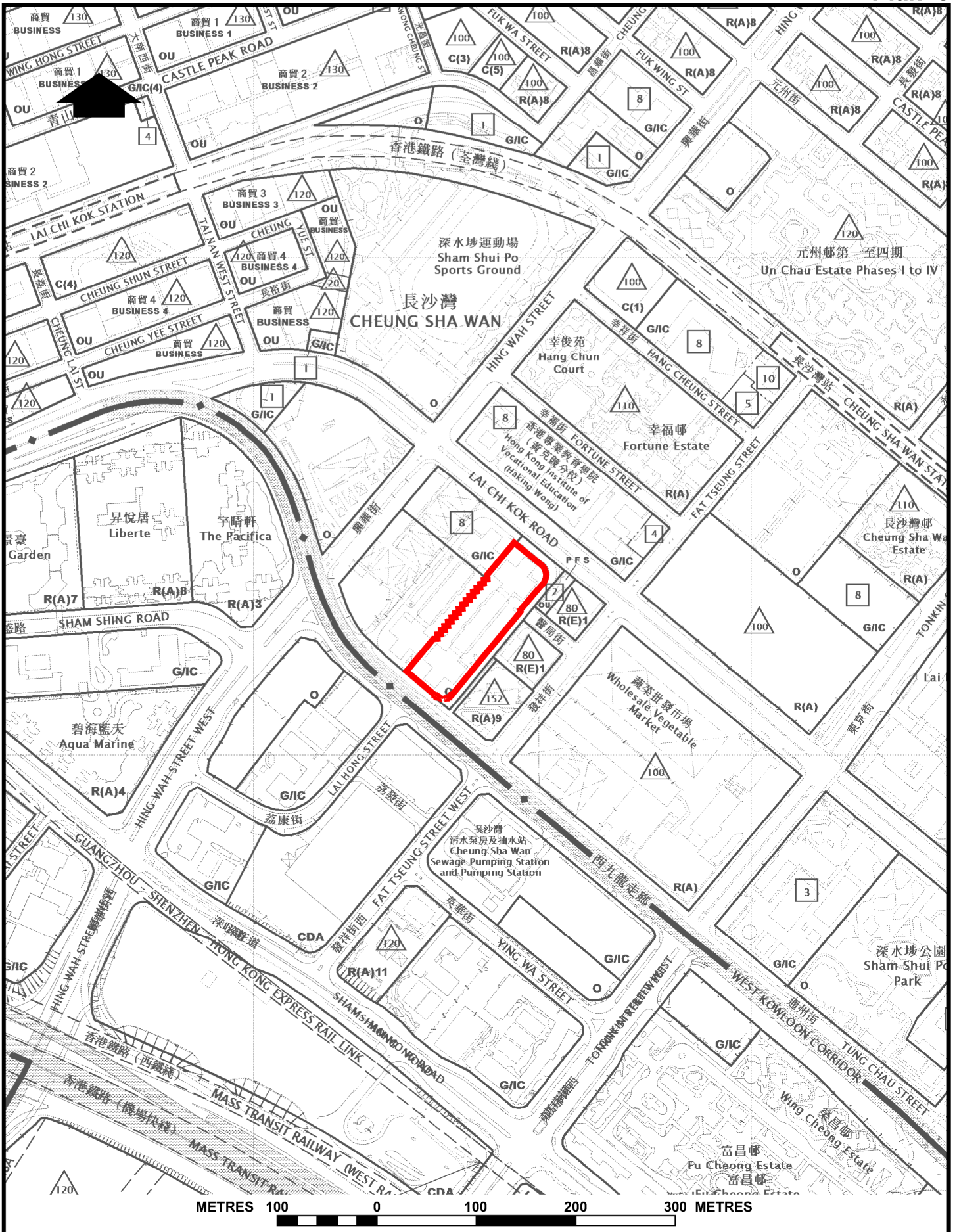


SUI FAI FACTORY ESTATE, FO TAN



HOUSING DEPARTMENT
PLANNING SECTIONS

DATE :
21. 5. 2021

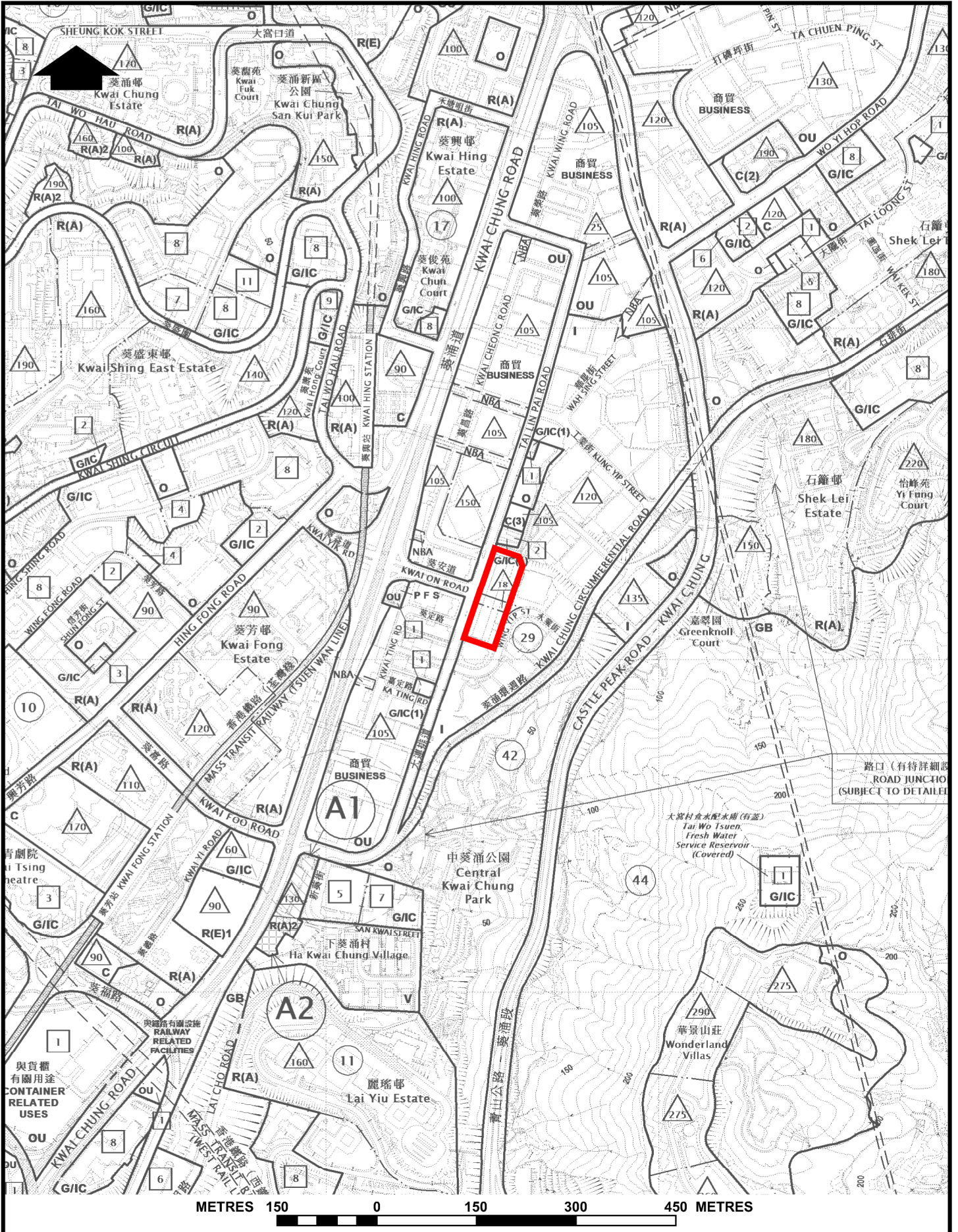


**WANG CHEONG FACTORY ESTATE,
CHEUNG SHA WAN**



**HOUSING DEPARTMENT
PLANNING SECTIONS**

**DATE :
21. 5. 2021**



路口 (有待詳細設計)
ROAD JUNCTION (SUBJECT TO DETAILED DESIGN)

大窩村魚水配水庫 (有蓋)
Tai Wo Tsuen
Fresh Water
Service Reservoir
(Covered)

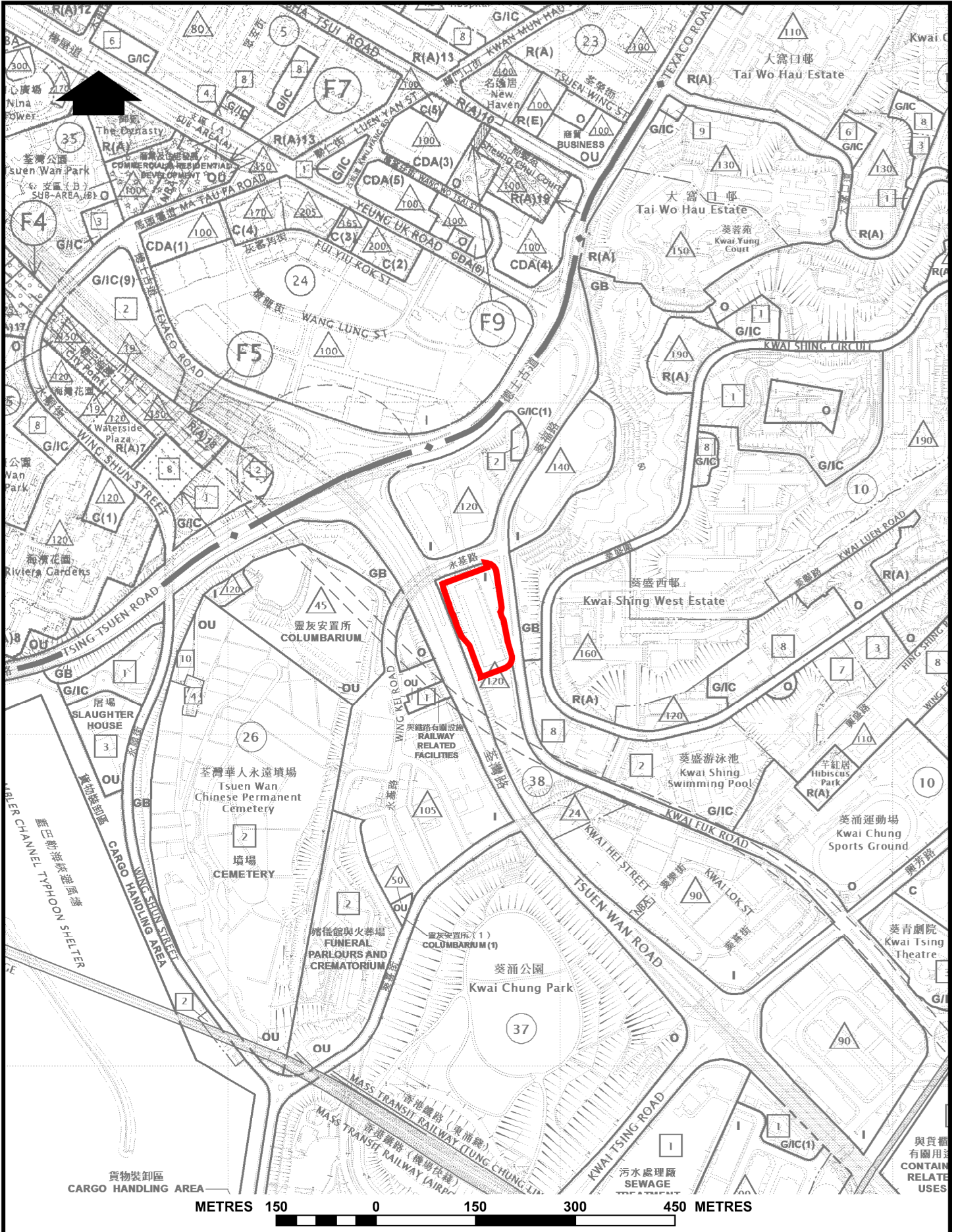
華景山莊
Wonderland Villas

METRES 150 0 150 300 450 METRES

 HOUSING DEPARTMENT
PLANNING SECTIONS

KWAI ON FACTORY ESTATE, KWAI CHUNG

DATE :
21. 5. 2021

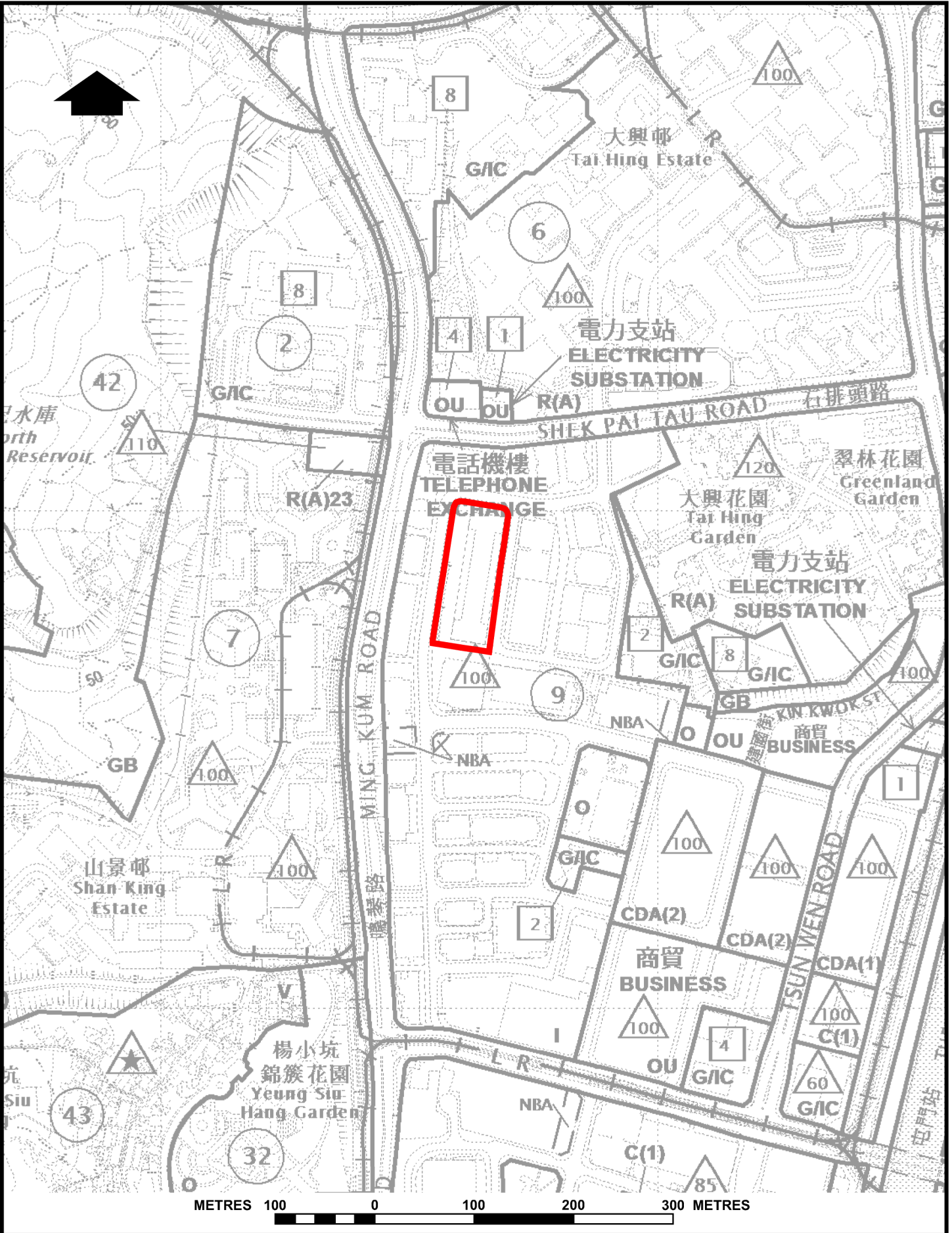


CHUN SHING FACTORY ESTATE, KWAI CHUNG



HOUSING DEPARTMENT
PLANNING SECTIONS

DATE :
21. 5. 2021



HOI TAI FACTORY ESTATE, TUEN MUN



HOUSING DEPARTMENT
PLANNING SECTIONS

DATE :
21. 5. 2021