

**For discussion
on 21 January 2020**

**Legislative Council
Subcommittee on Issues Relating to Policy on Industrial Buildings**

**Implementation of Measures under the New Round of
Revitalisation of Industrial Buildings**

PURPOSE

This paper briefs Members on the implementation of measures under the new round of revitalisation of industrial buildings¹ (IBs) reactivated in October 2018.

BACKGROUND

2. Currently, there are about 1 500 IBs in Hong Kong. As a result of Hong Kong's economic restructuring, occupied industrial premises may not be optimally utilised. The vacancy rate of IBs is not high (6.3% at end of 2018²), but this is partly attributed to infiltration of non-industrial uses which may not be compatible with the statutory planning regime and/or land lease conditions. In addition, although the fire safety installations of many old IBs generally met the then standards at the time of their construction, they fall short of those prescribed in the prevailing Codes of Practice published by Fire

¹ Such IBs refer to flatted factory buildings, industrial-office buildings and other buildings built for industrial uses where the leases governing the lots on which the buildings stand specify industrial and/or godown uses, or are unrestricted in terms of uses permitted under lease. They do not include special factories such as those located in industrial estates, storage premises in container terminals and flatted factories built by the Housing Authority, and those buildings on lots supporting specific industries such as cargo handling uses, ship building and repairing, oil storage and refining and production of associated chemical by-product, manufacture of polystyrene plastics, manufacture and storage of chlorine, hydrogen and textile chemicals, etc.

² Source: Rating and Valuation Department.

Services Department (FSD) and Buildings Department (BD)³, and the fire safety risk in some IBs is further aggravated by the presence of mixed industrial and non-industrial uses. After a review of the effectiveness of the previous revitalisation scheme⁴, Chief Executive announced in her 2018 Policy Address the reactivation of the scheme to facilitate the market to optimise the use of existing industrial stock and our valuable land resources to meet the changing social and economic needs, and to address more effectively the issues of fire safety and non-compliant uses. The new round of revitalisation scheme also requires the designation of certain floor area upon wholesale conversion for providing safe, lawful and affordable operating space for sectors specified by Government.

SUMMARY OF THE MEASURES

3. The new round of the scheme comprises the following six measures⁵:

Redevelopment

(I) relaxing the maximum permissible non-domestic plot ratio (PR) by up to 20%⁶ to incentivise private owners to redevelop IBs constructed before 1987 on sites located outside “Residential” (“R”) zones in Main Urban Areas and New

³ Secretary for Security introduced into Legislative Council for First and Second Reading of the Fire Safety (Industrial Buildings) Bill on 12 December 2018. The Bill seeks to empower Director of Fire Services and Director of Buildings to require owners or occupiers to upgrade the fire safety installations of IBs constructed before March 1987. The Bills Committee convened five meetings and completed its scrutiny of the Bill. We hope that the Bill will be passed by the Legislative Council as soon as possible, so that FSD and BD may commence relevant inspection and enforcement accordingly.

⁴ Government implemented a series of measures during the six years starting from April 2010 to March 2016 to encourage owners to revitalise IBs by way of wholesale conversion or redevelopment. In the previous round of the revitalisation scheme, Lands Department received 22 redevelopment applications and 226 wholesale conversion applications. As at 31 December 2019, excluding those subsequently withdrawn/terminated cases, 14 redevelopment applications and 138 wholesale conversion applications were approved. These approved applications, upon completion of the redevelopment and conversion works, will provide a total floor area of over 340 000 and 2 130 000 square metres respectively.

⁵ Development Bureau briefed the Panel on Development on the measures on 19 December 2018. Please refer to the LC Paper CB(1)323/18-19(03).

⁶ Individual applications have to be approved by the TPB and are subject to the maximum non-domestic PR allowed under the Building (Planning) Regulations.

Towns⁷. Individual applications must be made to the Town Planning Board (TPB) within three years starting from 10 October 2018 to 9 October 2021⁸, and the modified lease must be executed with full land premium charged under the prevailing mechanism within three years after the planning approval;

Wholesale Conversion

- (II) exempting waiver fees to incentivise private owners to convert IBs aged 15 years or above in “Commercial” (“C”), “Other Specified Uses” annotated “Business” (“OU(B)”) and “Industrial” zones, with the condition that 10% of the converted floor space must be designated for specific uses prescribed by Government. Private owners may submit valid applications for a special waiver to Lands Department (LandsD) from 2 April 2019 to 31 March 2022. If the proposed use applied for requires planning permission from the TPB, it must be obtained before the waiver application is submitted to LandsD;

Facilitating Community-led Transitional Housing Proposals for Conversion of IBs

- (III) exercising flexibility in the application of planning and building design requirements, and charging a nil waiver fee to facilitate provision of transitional housing units in IBs which have been or are to be wholesale-converted into non-industrial uses in “C”, “Comprehensive Development Area” (“CDA”) and “R” zones (without any building age limit);

Other Measures Permitting Non-industrial Uses in Existing IBs

- (IV) relaxing the waiver application policy to permit certain uses for the arts and cultural sectors, creative industries, and innovation and technology sectors in individual units of existing IBs

⁷ In January 2014, Government announced a planning policy for determining the maximum domestic PR for sites located in “R” zones in some parts of the Main Urban Areas and New Towns. In this connection, upon confirmation of technical feasibility, the maximum domestic PR may be increased by up to 20%.

⁸ Depending on individual circumstances, an owner is required to submit an application to the TPB for planning permission for relaxing development parameters and/or the proposed use in relation to a redevelopment plan, according to the requirements set out in the statutory plan about the land use zoning of the site occupied by the IB concerned.

without the need for owners to make waiver applications and pay waiver fees;

- (V) broadening the permissible use of buffer floors to cover “telecommunications exchange centres” and “computer/data processing centres” to facilitate partial conversion of lower floors of IBs into non-industrial uses; and
- (VI) promulgating a broader definition for “godown” use under lease provisions, covering (among other permitted uses at present) “cargo handling and forwarding operation” and “recyclable collection centre” uses.

IMPLEMENTATION

4. The six measures under the new scheme are all being implemented upon LandsD’s issuance of Practice Notes on items (I), (II), (III), (V) and (VI), and Development Bureau’s announcement on item (IV) listed above. Details of the implementation of these measures are as follows:

(I) Redevelopment

5. As at 3 January 2020, of the 37 applications received by the TPB (including three withdrawn), 12 applications were approved, while the remaining ones were being processed. In accordance with the Town Planning Ordinance, applications for planning permission are to be considered by the TPB within two months after receipt. In relation to the applications with planning permission obtained, four owners have applied to LandsD⁹ for lease modification. Relevant applications and premium charging arrangements are being processed.

6. As for the 12 applications approved by the TPB, the IBs concerned are located in Kwun Tong (five applications), San Po Kong (two applications), Tsuen Wan (two applications), Kwai Chung (two applications) and Hung Hom (one application). To optimise the use of land resources, together with the confirmation of technical feasibility of the proposed increase in development density, the PR of most of these applications were allowed to increase by up to 20% in maximum. Upon completion of lease

⁹ LandsD issued Practice Note No. 2/2019 on the measure in February 2019.
(Website: https://www.landsd.gov.hk/en/reIntBuild/relevant_pn.htm)

modification and works, these projects will provide a total floor area of over 286 000 square metres. Half of these redevelopment projects are proposed for office, shop and services, as well as eating place uses. Four are for non-polluting industrial uses, while the remaining two are for general industrial building or industrial-office redevelopment. Details are set out in the Annex.

7. Compared with the previous round of revitalisation scheme with 14 applications for IB redevelopment approved during the six-year period from 2010 to 2016¹⁰, the market response to the current measure on redevelopment is positive. Government will continue to monitor the market response and the effectiveness of this measure.

(II) Wholesale Conversion

8. As at 31 December 2019, LandsD¹¹ had received and was processing two applications in relation to wholesale conversion. Separately, as at 3 January 2020, the TPB had received four other applications for planning permission of proposed uses upon wholesale conversion, among which one was approved so that the owner may submit an application for a special waiver to LandsD subsequently.

9. In making an application for wholesale conversion of an IB, an owner may propose preliminary parameters about the portion for prescribed uses designated by Government (including the gross floor area (GFA), location, layout, fitting/finishes, and any other conversion works), as well as the specified uses of that portion. The specified uses proposed may include those uses in relation to the arts and cultural sectors, creative industries, innovation and technology industries, social service facilities, or sports and recreational uses which will bring about wider community benefits¹². Government will evaluate the owner's proposal, and determine the exact parameters of the GFA of the designated portion and the specified uses when processing individual applications. For any approved applications, LandsD will impose suitable waiver conditions for enforcement against any substantiated breach or idling of the designated GFA. As the two wholesale conversion applications received by LandsD are being processed, we will announce the details in respect of the specific uses and floor space upon execution of the relevant

¹⁰ Excluding subsequently withdrawn/terminated cases.

¹¹ LandsD issued Practice Note No. 6/2019 on the measure in April 2019.
(Website: https://www.landsd.gov.hk/en/reIntBuild/relevant_pn.htm)

¹² If the proposed use applied for requires planning permission from the TPB, it must be obtained before the waiver application is submitted to LandsD.

special waivers.

(III) Facilitating Community-led Transitional Housing Proposals for Wholesale Conversion of IBs

10. The Task Force on Transitional Housing (“Task Force”) under the Transport and Housing Bureau (THB) is co-ordinating with Government departments to resolve issues in the implementation of transitional housing projects and expedite the feasibility studies for such projects. As far as IBs are concerned, we introduced the following measures:

- (i) BD promulgated the Guidelines on Applications for Special Modification or Exemption for Transitional Housing Initiatives in Domestic Buildings¹³ in October 2018. Regarding proposals involving wholesale conversion of IBs into transitional housing, BD adopts a similar pragmatic approach to consider favorably granting transitional housing projects certain exemptions from requirements on site coverage, PR, open space within the site and service lane for domestic buildings under the Buildings Ordinance.
- (ii) As announced by the TPB in November 2018¹⁴, transitional housing projects co-ordinated by the Task Force in permanent buildings, including wholesale-converted IBs in the “C”, “CDA”, “OU(B)” and “R” zones in the urban and new town areas, are regarded as a temporary use, which is always permitted under the Outline Zoning Plan (OZP) if such projects are for a period of five years or shorter. No planning application is required.
- (iii) Government will exempt the waiver fee for the specific use of transitional housing for proposals supported by the Task Force involving revitalisation of IBs into transitional housing.¹⁵.

¹³ Website:

https://www.bd.gov.hk/doc/en/resources/codes-and-references/practice-notes-and-circular-letters/circular/CL_GMEBPTHIE.pdf.

¹⁴ Please refer to the relevant press release at

<https://www.info.gov.hk/gia/general/201811/26/P2018112600305.htm>.

¹⁵ LandsD has issued Practice Note No. 7/2019 on this measure in April 2019.

(Website: https://www.landsd.gov.hk/en/reIntBuild/relevant_pn.htm)

11. THB has briefed the Subcommittee to Follow Up Issues Related to Inadequate Housing and Relevant Housing Policies on its initiatives to support transitional housing projects in the past few months¹⁶. The Task Force is in liaison with stakeholders (including community organisations and their hired professionals, professional institutes, charitable organisations, commercial sector, owners interested in converting IBs into transitional housing, etc.), and in consultation and collaboration with relevant Government departments, on preliminary architectural designs for potential projects, environmental and traffic assessment, fire safety, infrastructure, etc. If any agreement on conversion of an existing IB for provision of transitional housing is reached, the organisation concerned will announce the details as appropriate. So far, LandsD has yet to receive any application for a waiver for provision of transitional housing units in wholesale-converted IBs.

(IV) *Relaxing the Waiver Application Policy to Permit Uses for Arts and Cultural Sectors, Creative Industries, and Innovation and Technology Sectors*

12. To address the demand for safe, lawful and affordable space of the arts and cultural sectors, creative industries, and innovation and technology sectors, Government has relaxed the waiver application policy, during the five-year period between 1 February 2019 and 31 January 2024 (initially for five years), to permit five uses in individual units within existing IBs, namely: -

- (i) “Art Studio”;
- (ii) “Office (Audio-visual Recording Studio)”;
- (iii) “Office (Design and Media Production)”;
- (iv) “Office” (used by “specified creative industries” only); and
- (v) “Research, Design and Development Centre”.

The prerequisite is that such uses are permitted under the land use zoning of the site on the relevant OZP as “Column 1” (i.e. always permitted) uses. In addition, for the sake of public safety, the relaxation does not cover any premises involving direct provision of services or goods¹⁷.

¹⁶ Please refer to Legislative Council paper CB(1)223/19-20(02).

(Website: https://www.legco.gov.hk/yr19-20/english/panels/hg/hg_ihp/papers/hg_ihp20191119cb1-223-2-e.pdf)

¹⁷ Taking “Arts Studio” as an example, the intention is to cover premises used by artists themselves as their own working space. Arts exhibition space or arts education centres attracting outside visitors (hence potential safety concerns) are not covered by the permission.

13. While the five permitted uses are not in line with the lease restrictions for “industrial and/or godown purposes”, LandsD will not take any enforcement action in respect of the breach of lease restrictions so long as they are permitted under the land use zoning of the site on the relevant OZP as “Column 1” (i.e. always permitted) uses. However, LandsD will act on complaints or when being informed by relevant departments of the occurrence of substantiated breach of non-compliant uses outside the scope of the permission¹⁸.

14. Without prejudice to public safety, this measure will enable IBs to be used simultaneously for both industrial and non-industrial uses in a pragmatic manner, thus achieving our objective of optimising the use of IBs (especially those under multiple ownership which are unlikely for redevelopment or wholesale conversion in the immediate future). While this measure helps preserve some industrial floor space to meet the demand for space from traditional or modern industries and that emerged from Government’s policy on “re-industrialisation”, it also assists small and medium organisations/enterprises of the relevant sectors in identifying premises charging relatively lower rentals.

15. Details of the arrangements are available at the website of Development Bureau¹⁹. In addition, we have approached various organisations and stakeholders of the relevant sectors to promote this new measure. As LandsD does not require relevant owners to apply for a temporary waiver and pay any fee, Government does not keep the statistics on various current uses in existing IBs covered by this relaxation policy.

16. That said, Planning Department (PlanD) commenced in September 2019 the Area Assessments on Industrial Land in the Territories (“Area Assessment”)²⁰. It is collecting information, mainly through on-site questionnaire surveys, about the business nature and existing uses of private IB units for a comprehensive analysis. The result of the Area Assessments

¹⁸ LandsD has received six complaints so far.

¹⁹ Website:
https://www.devb.gov.hk/filemanager/en/Content_3/Relaxation_of_the_Waiver_Application_in_Existing_IB.pdf.

²⁰ PlanD commenced the latest round of Area Assessments in September 2019, after the previous four rounds conducted in 2000, 2005, 2009 and 2014, to examine the latest usage of private IBs and consider the future planning of industrial land, so as to meet market demand and optimise the use of our land resources. The Area Assessments are expected to be completed by the end of this year.

will facilitate an analysis of actual uses of existing industrial floor area, and provide us with a basis for a review to be conducted before the end of the five-year term about the measure.

(V) *Broadening the Permissible Uses of Buffer Floors*

17. If there is a buffer floor (normally used as car park, electrical and mechanical plant room, or empty floor as means of escape) in an IB which completely separates the lower floors from the upper portion with industrial uses, Government accepts proposals for converting the premises on the lowest three floors into other non-industrial uses, including shops and services, restaurants, or arts and cultural facilities, subject to the waiver fees payable and compliance with planning and other relevant requirements.

18. Government has completed examining the feasibility to broaden the use of buffer floors in IB. In this regard, LandsD announced in March 2019²¹ that the permitted uses of buffer floors are extended to cover “telecommunications exchange centres” and “computer/data processing centres”. FSD also announced the fire safety requirements applicable to these permitted uses in the same month²². LandsD has yet to receive any waiver application for partial conversion of IBs so far.

(VI) *Promulgating a Broader Definition for “Godown” Use under Lease Provisions*

19. LandsD has issued a Practice Note²³ on a broader interpretation of “godown” to cover “cargo handling and forwarding” and “recyclable collection centre”. This does not require any application LandsD. As mentioned in paragraph 16 above, upon PlanD’s completion of the Area Assessments, the results may be helpful for analysing the actual uses of the existing industrial floor area.

²¹ Please refer to the LandsD’s Practice Note No. 3/2019.
(Website: https://www.landsd.gov.hk/en/reIntBuild/relevant_pn.htm)

²² Please refer to FSD circular No. 2/2019.
(Website:
https://www.hkfsd.gov.hk/eng/source/circular/2019_02_eng_20190325_182237.pdf)

²³ LandsD issued Practice Note No. 1/2019 on this measure in January 2019.
(Website: https://www.landsd.gov.hk/en/reIntBuild/relevant_pn.htm)

ADVICE SOUGHT

20. Members are invited to note and comment on the progress of the implementation of various measures under the new round of revitalisation scheme for IBs. Government will continue to monitor the market response, and review the effectiveness of the above measures in a timely manner.

**Development Bureau
January 2020**

New Round of Revitalisation Scheme for Industrial Buildings**Redevelopment - Relaxation of Maximum Permissible Non-domestic Plot Ratio by up to 20%****Applications Approved by the Town Planning Board**

(Position as at 3.1.2020)

(By date of approval)

Site Location	Zoning [^]	Proposed Plot Ratio	% of increase in Plot Ratio#	Proposed GFA# (m ²)	Uses applied for
1. 350 Kwun Tong Road, Kwun Tong, Kowloon	OU(B)	14.4	20%	25 658	Office, Shop and Services & Eating Place
2. 1 Tsat Po Street, San Po Kong, Kowloon	OU(B)	14.4	20%	19 960	Non-polluting Industrial Use (excluding industrial undertakings involving the use/storage of Dangerous Goods)
3. 13 Hok Yuen Street, Hung Hom, Kowloon	OU(B)	12.782	6.5%	47 277	Office, Shop and Services & Eating Place
4. 57-61 Ta Chuen Ping Street, Kwai Chung, New Territories	OU(B)	11.4	20%	25 775	Industrial-Office Redevelopment
5. 32 Hung To Road, Kwun Tong, Kowloon	OU(B)	14.4	20%	13 121	Office, Shop and Services & Eating Place
6. 41 King Yip Street, Kwun Tong, Kowloon	OU(B)	14.4	20%	30 576	Office, Shop and Services & Eating Place
7. 14-18 Ma Kok Street, Tsuen Wan, New Territories	I	Not more than 11.4	20%	21 182	Industrial Building Redevelopment

[^] “OU(B)” refers to “Other Specified Uses” annotated “Business”.

Any bonus floor area claimed under section 22(1) or (2) of the Building (Planning) Regulations is not counted towards the proposed increase of non-domestic plot ratio by 20% for redevelopment projects of pre-1987 IBs.

Site Location	Zoning[^]	Proposed Plot Ratio	% of increase in Plot Ratio[#]	Proposed GFA# (m²)	Uses applied for
8. 20-24 Kwai Wing Road, Kwai Chung, New Territories	OU(B)	11.4	20%	18 004	Non-polluting Industrial Use (excluding industrial undertakings involving the use/ storage of Dangerous Goods)
9. 7 Lai Yip Street, Kwun Tong, Kowloon	OU(B)	14.4	20%	14 775	Office, Shop and Services & Eating Place
10. 8-14 Sha Tsui Road, Tsuen Wan, New Territories	OU(B)	11.4	20%	52 955	Non-polluting Industrial Use (excluding industrial undertakings involving the use/ storage of Dangerous Goods)
11. 21 Luk Hop Street, San Po Kong, Kowloon	OU(B)	14.4	20%	11 176	Non-polluting Industrial Use (excluding industrial undertakings involving the use/ storage of Dangerous Goods)
12. 132 Wai Yip Street, Kwun Tong, Kowloon	OU(B)	14.4	20%	6 020	Office, Shop and Services & Eating Place

[^] “OU(B)” refers to “Other Specified Uses” annotated “Business”.

[#] Any bonus floor area claimed under section 22(1) or (2) of the Building (Planning) Regulations is not counted towards the proposed increase of non-domestic plot ratio by 20% for redevelopment projects of pre-1987 IBs.