

International Business Committee

Revitalisation of Industrial Buildings

Purpose

This paper informs the International Business Committee on actions taken by the Administration on the revitalisation of old industrial buildings and invites thoughts on how to tackle related issues.

Background

2. With Hong Kong's industrial restructuring and migration of traditional manufacturing industries to the Mainland, the Government reviews the development of old industrial areas from time to time to ensure the optimum use of our precious land resources. Since 1991, we have rezoned about 500 hectares of industrial land to other uses. As a result, the amount of industrial land has been dramatically reduced from 800 hectares in the 1980's to about 300 hectares at present.

3. According to the Rating and Valuation Department, vacancy at industrial buildings has fallen steadily to 1 070 000 square metres in 2007, roughly equivalent to 6.2% of the total stock. Compared with the vacancy rates of other building types (e.g. 8.9% for office buildings, 4.9% for residential buildings), the vacancy rate of industrial buildings is not

particularly high, but due to the huge existing industrial building stock, the vacancy is still considerable in floor area. Accordingly, any initiatives that can promote and facilitate better use of the vacant industrial floor areas will contribute to improving our economic output and job creation.

Planning Initiatives

4. The Planning Department assists the Town Planning Board (TPB) in periodically reviewing the land uses in the light of economic and social needs and revises the statutory land use zones in the Outline Zoning Plans (OZPs) of all districts.

5. To ensure that the factory building stock can respond to the changing market demand due to economic restructuring, the TPB has continually expanded the permissible uses in “Industrial” zones. ‘Cargo Handling and Forwarding Facility (including distribution centre)’, ‘Office (Office Related to Industrial Use only)’, ‘Research, Design and Development Centre’, ‘Design and Media Production’ and ‘Information Technology and Telecommunications Industries’ are now uses which are always permitted in “Industrial” zones. Moreover, ‘Exhibition or Convention Hall’, ‘Wholesale Trade’ and ‘Shop and Services (ground floor only)’ have been added as uses which may be permitted on application to the TPB. In addition, other business uses such as ‘eating place’, ‘office’, ‘exhibition or convention hall’, and ‘shop and services’ are now uses which are always permitted in the purpose-designed non-industrial portion on the lower floors of a building in the “Industrial”

zone, provided that the uses are separated from the industrial uses located above by a non-hazardous buffer floor (such as a floor containing car park or loading and unloading facility).

6. In 2001, the Planning Department introduced a new land use zone known as the “Other Specified Uses” annotated “Business” (“OU(B)”) zone by combining the uses permitted as of right within the “Commercial” zone and the “Industrial” zone to allow greater flexibility in the use of existing industrial land. So far, about 200 hectares of “Industrial” land have been rezoned to “OU(B)”. Within the “OU(B)” zone, redevelopment or conversion of existing industrial buildings for commercial or non-polluting industrial uses, including ‘office’, ‘information technology and telecommunications industries’, ‘research, design and development centre’ and ‘shop and services’ are always permitted. Greater flexibility is also provided for hotel developments. As an illustration, we have since 2001 handled 83 hotel applications in the “OU(B)” zone of which 76 applications, involving 47 locations, have been approved.

Lands Department’s Initiatives

7. The Lands Department has also introduced measures to facilitate applications for relaxing the restrictions on the use of industrial buildings, including processing of applications for lease modifications¹ and

¹ For cases involving lots under single ownership, owners may apply to the District Lands Office for lease modification, a permanent modification of lease conditions, and upon payment of land premium, may demolish their industrial buildings for redevelopment or refurbish the whole building for other uses.

Temporary Waivers (TW)². In recent years, the Lands Department has simplified the procedures in handling TW applications. Standard rates for assessing waiver fees have been introduced to expedite the approval process.

8. Conversion of uses, within its existing building frame, is also a viable option to regenerate these old buildings. However, due to a lack of agreement amongst all owners, it is often difficult to transform an entire flatted industrial building of multiple ownerships into coordinated new uses.

9. Redevelopment is another option. As part of the Government's holistic strategy to tackle the problem of building deterioration, we attach great importance to facilitating private sector's redevelopment efforts whilst mindful of the need to protect individual property rights. Under the current provision of the Land (Compulsory Sale for Redevelopment) Ordinance, persons who own a specified majority of the undivided shares in a lot (majority owners) may apply to the Lands Tribunal for a compulsory order of sale of all the undivided shares in the lot for the purposes of redevelopment. The applicant will have to satisfy the Lands Tribunal that -

- (a) the majority owners own not less than 90% of the undivided shares in the lot;

² For cases involving lots under multiple ownership, most of the transformation of industrial building units are carried out by means of temporary waiver, a temporary variation to the lease conditions. Owners of individual units in an industrial building normally apply for a temporary waiver and are required to pay the waiver fee determined by an enhancement in rental value.

(b) redevelopment of the lot is justified on the ground of age or state of repair of the existing buildings; and

(c) the majority owners have taken reasonable steps to acquire all the undivided shares of the lots.

Challenges

10. We need to deal with the problem of multiple ownership which allows only partial transformation of old flatted factory buildings, which often leads to a lack of co-ordination among the new uses or even fire safety concerns. On the other hand, the industry may be deterred by the requirement to pay high land premium or waiver fee. We also have to consider whether the redevelopment potential of individual old factory buildings or industrial lots would be undermined by the absence of simultaneous regeneration of an old industrial area in its entirety.

Views Invited

11. Members are invited to note the actions taken so far by the Administration to tackle the issues and give their views on other possible measures to facilitate revitalisation of old industrial buildings.

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