

**Twelfth Meeting of
the Business Facilitation Advisory Committee**

***Agenda Item 2(b) : New initiatives to facilitate the
redevelopment or conversion of
old industrial buildings***

Purpose

This paper informs Members of the Administration's proposed initiatives to facilitate the redevelopment or conversion of old industrial buildings by owners to optimize the use of these buildings.

Background

2. There have been calls for realising the potential of old industrial buildings. Due to the constraints of the existing systems and policies, these valuable resources have not been fully utilised. The Administration first briefed the Business Facilitation Advisory Committee (BFAC) of the measures taken to achieve an optimum use of existing industrial buildings at the BFAC meeting held on 25 July 2007 as detailed in BFAC Paper 8/07.

3. The Administration undertook to continue to monitor and review the market demand for industrial sites to cater for the economic development of Hong Kong, and explore ways to further expedite the transformation of vacant industrial premises through market forces. In parallel, the Fire Services Department (FSD) would examine the possibility of relaxing the fire safety requirements imposed on the use of the ground floor of existing industrial and industrial-office buildings for "Shop and Services", i.e. the aggregate commercial floor areas for buildings with and without sprinkler systems must not exceed 460m² and 230m² respectively, on the premise that public safety would not be compromised.

Proposed New Initiatives

4. In the 2009-10 Policy Address, the Administration proposed the following package of measures to encourage the redevelopment or conversion of industrial buildings by owners –

- (a) Lower the application threshold under the Land (Compulsory Sale for Redevelopment) Ordinance (LCSRO) for compulsory sale for redevelopment for industrial buildings aged 30 years or above situated in non-industrial zones to facilitate the consolidation of ownership by owners;
- (b) Enable owners to pay additional premiums according to the actual development density for redevelopment of industrial buildings in non-industrial zones based on a “pay for what you build” approach;
- (c) Allow owners who modify the lease for redevelopment of industrial buildings in non-industrial zones to opt to pay 80% of the additional premiums by instalments for up to five years at a fixed interest rate if the premiums payable exceed \$20 million; and
- (d) Exempt owners who opt for the wholesale conversion instead of redevelopment of an industrial building aged 15 years or above situated in “Industrial”, “Commercial” and “Other Specified Uses (Business)” zones from paying the waiver fee for change of land use for the lifetime of the building or the current lease period, whichever is earlier.

The proposed measure at paragraph 4(a) will be implemented through subsidiary legislation under the LCSRO while the three measures proposed at paragraphs 4(b) to (d) will be effective only for three years starting from 1 April 2010. The proposed uses must be always permitted in the respective zones or planning permission is obtained. The approved projects for redevelopment have to be completed within five years, and those for wholesale conversion within three years.

5. These measures can address the needs of economic development by enabling owners to revitalise and add value to their industrial buildings, thus providing new momentum for economic growth and creating jobs. They are also in line with the principle of “Big Market, Small Government”, and allow the market to respond to such needs.

6. To be more business-friendly, the Lands Department will set up a dedicated team to process applications for redevelopment or wholesale conversion of industrial buildings.

Outcome of FSD's Review on Relaxation of Commercial Uses on Ground Floor of Industrial Buildings

7. The FSD has completed the review on the relaxation of the 230m²/460m² criteria for commercial uses on ground floor of industrial buildings. They have also consulted relevant government departments on the subject. Having taken into account the statistics of industrial building fire and gas/chemical incidents in the last five years as well as advance in fire safety technology, the FSD concludes that the 230m²/460m² criteria should not be further relaxed because it would pose unacceptable fire risks to the commercial areas of industrial buildings. The review report is at **Annex**.

Way Forward

8. Members are invited to note the paper for information.

Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office
October 2009

Report on Review of Relaxation of Commercial Uses on Ground Floor of Industrial Buildings

Purpose

This paper reports the background and outcome of the review on relaxation of commercial uses on ground floor of industrial buildings conducted by the Fire Services Department (FSD).

Background

2. In processing applications for change of usage of industrial buildings, the Town Planning Board (TPB) needs to pay due regard to public safety and other relevant factors such as the traffic and environmental impact. In view of public safety concern, applications for change of use on the ground floor of existing industrial and industrial-office buildings for “Shop and Services” should satisfy the fire safety requirements of the FSD, i.e. the aggregate commercial floor areas for buildings with and without sprinkler systems must not exceed 460m² and 230m² respectively. However, the 230m²/460m² criteria do not apply to cases involving conversion of the low zone of an existing industrial or industrial-office building for “commercial uses” if the commercial portion is completely separated from the industrial or industrial-office portion on the upper floors by a buffer floor of non-hazardous occupancy such as a car-parking floor. In all cases, separate means of escape should be available for the commercial portion.

3. The FSD explained at an earlier BFAC meeting that for fire safety reasons, it did not support mixed occupation of commercial and industrial undertakings in industrial buildings. There were potential risks in carrying out industrial and commercial activities within the same building because industrial activities might involve higher risks of fire and accidents and commercial activities might attract a large number of visitors who were unprepared for the potential hazards. But in response to the concern of the community, the FSD was reviewing whether the 230m²/460m² limit could be relaxed and whether it was feasible to further relax the types of business to be permitted in industrial buildings, on the premise that public safety would not be compromised.

Outcome of FSD's review on relaxation of commercial uses on ground floor of industrial buildings

4. The FSD has conducted internal consultation and consultation with other relevant government departments. After review and having taken into account the statistics of industrial building fire and/or gas/chemical incidents in the last five years as well as advance in fire safety technology, the FSD concluded that the proposed relaxation of the 230m²/460m² criteria should not be pursued further because it would pose unacceptable fire risks to the commercial areas on industrial buildings in view of the following considerations –

- (a) Much higher potential risks in terms of fire and hazards arising from industrial activities;
- (b) The public's unpreparedness in facing the potential risks inside and outside industrial buildings and their unfamiliarity with the situation in case of emergencies, rendering their escape materially much more difficult;
- (c) Physical assistance required by customers who are children, old, infirm and handicapped in case of fire or other calamities. However, adequate assistance will most unlikely be available immediately, thus putting their lives in grave peril;
- (d) Difficulties which will jeopardize escape in case of emergencies, e.g. smoke/fire/explosion, chemical hazards, etc.;
- (e) Even in non-emergency, increased risk of exposure to chemical hazards due to loading and unloading activities inside and in the vicinity of industrial buildings; and
- (f) Lack of effective mechanism to control the future partial reversion/restoration of commercial use to industrial use which may give rise to the situation of mixed commercial/industrial use on the same floor which is not acceptable from fire safety point of view.

5. To strike a balance between fire safety and societal need in relation to the commercial uses within an industrial building, the FSD will continue to adopt a cautious and pragmatic approach in giving advice on applications for change of use. Although the proposed relaxation of the 230m²/460m² criteria cannot be proceeded further, the FSD has clarified that the following types of change of commercial uses in industrial buildings, either partly or wholly or certain non-residential uses, are acceptable from the FSD's point of view –

(a) Partial change of use from industrial to commercial on G/F of an industrial building

- Relatively small-scale, low risk and essential commercial elements, such as electrical shop, local provisions store, bank, etc., in industrial buildings are usually tolerated on G/F only. The aggregate commercial floor areas on G/F level of existing industrial or industrial-office buildings with and without a sprinkler system are restricted to 460m² and 230m² respectively, and the nature of commercial uses is confined to shops and services that usually do not attract large number of people and retain them in the premises for a long period of time.

(b) Total change of use below a buffer floor (Buffer Floor Concept)

- A building can be divided into two portions with a buffer floor in-between. While the upper portion remains as industrial, the lower one can be converted to commercial. No restriction on the area and nature of commercial activities will be applied to the commercial portion at lower floors of industrial or industrial-office buildings provided that such portion is completely separated from the industrial or industrial-office portions on upper floors by a buffer floor of non-hazardous nature like car parking and/or E&M plant rooms.¹

¹ A successful case in point is a building at Hoi Yuen Road, Kwun Tong, Kowloon. It is a 25-storey industrial building with one level basement car park. There is a buffer floor situated at 3/F level and all the floors below i.e. G/F to 2/F, have been approved to change to commercial uses. Another successful case is at Fui Yiu Kok Street, Tsuen Wan, NT. The existing building is of 8-storey in height used as industrial with G/F as carpark, plant rooms and entrance lobby. A buffer floor (plant rooms) is provided on 2/F with the G/F & 1/F changing use to 'Shop & Services'.

(c) Total change of use for the whole building (Total Concept)

- The FSD has no objection to the conversion of an existing building wholly from industrial or industrial-office to commercial.²

(d) Less fire hazard-prone “office use”

- Non-residential uses for office purposes not involving direct provision of customer services or goods to the general public on any floor, such as headquarters or back-office operations, audio-visual recording studios, office for professional consultants, etc.

Fire Services Department
October 2009

² A successful case in point is the building at Lee Wing Street, Ap Lei Chau, Hong Kong. It was a 25-storey industrial building. An application for conversion of the building from industrial to commercial use was approved by Metro Planning Committee in 2003. General building plans for the proposed conversion were approved by the Buildings Department and the FSD in 2008 and the conversion works are in progress.