

## LCQ14: Redevelopment of HA's factory estates

Following is a question by the Hon Luk Chung-hung and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (Aug 25):

Question :

The Hong Kong Housing Authority (HA) announced in May this year its decision to demolish four of its factory estates in order to rezone the sites concerned for residential use, which will affect a total of 2 088 tenants/licensees (collectively referred to as tenants). Quite a number of the affected tenants have relayed that as the allowance/cash sum and other assistance provided to them by HA through its clearance package are insufficient to support their continued operation, their companies/factories are doomed to close down, and their staff are also facing unemployment. In this connection, will the Government inform this Council:

- (1) whether, among the affected tenants, there are tenants engaged in the only remaining traditional manufacturing industries in Hong Kong (such as the production of steamers); of a breakdown of the number of affected tenants by (i) name of factory estate, (ii) type of industry in which they are engaged, (iii) staff headcount, and (iv) the original expiry date of the existing tenancy agreement;
- (2) given that HA will arrange restricted tenders for the affected tenants to bid for the vacant units in its Chun Shing Factory Estate and Hoi Tai Factory Estate, of the number of such units, with a breakdown by area and the factory estate in which they are located;
- (3) whether, since the launch of the study on the redevelopment of the aforesaid factory estates for public housing use, the staff of HA have met with the representatives of the affected tenants to consult them on the clearance package; if so, set out the matters discussed and the outcome by date of meeting;
- (4) whether HA will gauge the affected tenants' intention to continue operation and additionally provide relocation allowance and related support for those tenants who intend to continue operation, so that they can relocate their businesses to suitable units in private factory estates to continue operation; and
- (5) as some affected tenants have pointed out that HA's demolition of the aforesaid factory estates will make it impossible for those tenants who are engaged in traditional manufacturing industries to continue operation, dealing a blow to the declining manufacturing industries in Hong Kong, whether the Government has assessed if HA's decision is in conflict with the

Government's policy of promoting re-industrialization; if it has assessed, of the outcome?

Reply:

President,

Having consulted the Innovation and Technology Bureau, my consolidated reply to the question raised by the Hon Luk Chung-hung is as follows:

The Hong Kong Housing Authority (HA) plans to redevelop four of its factory estates (i.e. Yip On, Sui Fai, Wang Cheong and Kwai On Factory Estates) as public housing and has initiated the process on land use rezoning and clearance of tenants. The HA understands that the existing tenants will be affected by the redevelopment. Hence, the HA has frozen the letting of vacant units in HA factory estates since 2019 with a view to reducing the number of affected tenants. The HA also appreciates that some existing tenants wish to continue their businesses in these factory estates. Nevertheless, since land available for housing development has been in short supply, the HA has to balance the different needs of the community and make a tough decision.

As at July 31, 2021, there were around 2 100 tenants in the four factory estates which the HA proposed to redevelop, of which around 1 340 tenancies had already expired and licences had been granted for them to continue renting the premises. The remaining 760 tenancies will gradually expire before the clearance date (i.e. November 30, 2022) and licences will also be granted upon expiry of these tenancies to enable the tenants to continue their businesses at the premises until they finally move out before the clearance date. The breakdown of trades engaged by tenants/ licensees are summarised at Annex I. The HA does not have information on the number of workers employed by the affected tenants.

HA's factory estates are operated on commercial principles, and are let to tenants on three-year fixed term tenancies. Pursuant to the tenancy agreement, the HA has the right to terminate the tenancies by giving three months' notice. Tenants are not legally or contractually entitled to relocation or any form of compensation. To assist tenants' removal, not only has the HA provided advance notice to tenants affected by redevelopment/ clearance programme to facilitate them to plan early, after taking into account the current circumstances, it has also provided a series of arrangements for the affected tenants, including giving them an 18-month notice for vacating the premises on or before November 30, 2022 and paying them an ex-gratia allowance (EGA) at 15 months' rent/licence fee according to the rent/licence fee level specified under the tenancy/licence as at the date of announcement of clearance (i.e. May 24, 2021).

Affected tenants/ licensees who wish to continue their businesses may choose to participate in restricted tenders for priority bidding of vacant factory units in HA's two remaining factory estates (i.e. Chun Shing and Hoi Tai Factory Estates) and will be offered a three-month rent-free period.

There are a total of 91 standard units of 25 meter square in size in Chun Shing and Hoi Tai Factory Estates available for letting in 40 groups of units of different sizes, ranging from 25 meter square to 150 meter square (see Annex II). On August 4, 2021, HA announced and individually notified the affected tenants/licenseses of the detailed arrangements concerning the restricted tender, and invited interested tenants to collect the tender documents.

The restricted tender arranged by the HA is intended to offer a choice for the affected tenants/ licensees. Alternatively, they may choose to lease premises in private industrial buildings or make other arrangements. The total internal floor area of the four factory estates which the HA proposed to redevelop is about 120 000 meter square. According to the statistics of the Rating and Valuation Department, there was over 1 000 000 meter square vacant flatted factory space in the private sector as at the end of December 2020, indicating an abundant supply. Among these private industrial buildings premises, there are units comparable to the four factory estates the HA proposed to redevelop in terms of building age, floor area, rent, location, etc.

For affected tenants/ licensees who choose not to lease or do not succeed in leasing units in HA's two remaining factory estates, they will be offered a one-off cash sum amounting to \$25,400 per standard unit of 25 meter square in size. In addition, taking into account the fact that relatively more tenants will be affected due to the clearance of four factory estates simultaneously and the limited supply of vacant units in HA's two remaining factory estates, HA has for the first time introduced a special "early bird" arrangement for the tenants/ licensees in this clearance exercise. To encourage affected tenants/ licensees to find suitable space in the private sector or make other plans earlier, those who do not lease units in HA's two remaining factory estates and vacate and return the premises within nine months after the announcement of clearance (i.e. by end-February 2022) will be offered an additional cash sum of \$100,000 under the "early bird" arrangement.

The various allowances and cash sums provided by HA should be able to provide some assistance to the affected tenants. Assuming an affected tenant is paying a monthly rent of \$2,500 for leasing a standard unit of 25 meter square, the tenant concerned will be eligible for an EGA payment of \$37,500; and an additional cash sum of \$25,400 if he/she does not lease the units in HA's two remaining factory estates, totaling \$62,900. If the tenant vacates and returns the premises by end-February 2022 or earlier, he/she will further receive an additional cash sum of \$100,000 under the "early bird" arrangement, amounting to \$162,900 in total, which is equivalent to around 65 times of the monthly rent. In fact, the maximum amount payable to some individual tenants leasing multiple units has exceeded \$2 million.

The HA appreciates that individual tenants may have different needs and therefore may wish to be offered with more assistance. However, as the use of public money is involved, the HA needs to be prudent in handling the matter. The HA believes that the series of appropriate measures should be able to

provide some assistance to the affected tenants.

Apart from notifying the affected tenants individually of the series of arrangements provided, the HA has also met with the tenants' representatives on various occasions to explain the details of the relevant arrangements. The HA will continue to maintain close liaison with affected tenants and provide timely response to their enquiries and concerns.

As regards re-industrialisation, the Government has been actively developing advanced manufacturing, which is less land- or labour-intensive, based on new technologies and smart production, in recent years. The focus of promoting re-industrialisation is not only to revitalise traditional industries, but to enhance the competitiveness of the manufacturing industry in Hong Kong through innovative technologies, having regard to our relative advantages. The Government has been promoting re-industrialisation in various areas. Regarding infrastructure, the Hong Kong Science and Technology Parks Corporation (HKSTP) has been developing specialised multi-storey industrial buildings (including the Advanced Manufacturing Centre, Microelectronics Centre and MARS Centre) in the three Industrial Estates (IEs) under its management for rental to multiple users in order to attract high value-added technology industries and manufacturing processes suitable for Hong Kong.

Although the basic trade groups covered by Housing Authority factory estates may be different from the high value-added manufacturing industries accommodated in the IEs which comply with the direction of promoting re-industrialisation, the Government welcomes any enterprises that wish to transform and upgrade themselves to approach HKSTP for renting the relevant spaces.