

LCQ4: Tenants affected by demolition of HA's factory estates

Following is a question by the Hon Cheng Chung-tai and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (July 21):

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. It has been learnt that more than 2 000 tenants are affected and quite a number of them are small and medium enterprises which have been in operation for decades and supplying daily life commodities to the community. HA will disburse an ex-gratia allowance amounting to 15 months' rent to each affected tenant and an additional cash sum of \$100,000 to each tenant who moves out by February next year. Some affected tenants have indicated that the amounts of such disbursements are too small, which are insufficient for them to find other places to continue their businesses or meeting the expenses to be incurred in winding up their businesses. In this connection, will the Government inform this Council:

(1) of the criteria based on which HA set the aforesaid cash sum at the level of \$100,000; and

(2) whether HA will discuss with the Commerce and Economic Development Bureau the formulation of a scheme of financial and administrative support to provide additional assistance to the affected tenants; if not, of the reasons for that?

Reply:

President,

As we all know, tackling the problem of public housing shortage is at present one of the top priorities of the Government. To meet the keen demand from the community for public housing, the Government has been actively identifying and forming land with a view to increasing the supply of public housing.

In the 2019 Policy Address, the Chief Executive invited the Hong Kong Housing Authority (HA) to explore redeveloping its six factory estates for public housing use. HA has completed the relevant studies, and decided to redevelop the sites of four factory estates (viz. Yip On, Sui Fai, Wang Cheong and Kwai On Factory Estates) for public housing development. Due to environmental constraints, the sites of the other two factory estates (i.e. Chun Shing and Hoi Tai Factory Estates) are not suitable to be used for housing development at this stage. HA endorsed the above study results; and

would proceed with rezoning the relevant sites of the four proposed factory estates for redevelopment, and at the same time arrange clearance of the tenants and demolition of the relevant buildings. The relevant arrangement can shorten the redevelopment programme and expedite flat production to meet the keen demand for public housing.

My consolidated reply to the question raised by Dr the Hon Cheng Chung-tai is as follows:

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, HA has the right to terminate 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 will HA provide advance notice to tenants affected by redevelopment or clearance programme to facilitate them to plan early, HA has also decided to provide a series of helping measures, including ex-gratia allowance (EGA), for tenants affected by the redevelopment after taking into account the current circumstances.

In addition to giving affected tenants an 18-month notice for their vacating the premises before November 30, 2022, HA will also pay EGA to affected tenants 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 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. For those affected tenants who choose not to lease or do not succeed in leasing units in HA's two remaining factory estates, they will be offered an one-off cash sum amounting to \$25,400 per standard unit of 25 square metre in size. Alternatively, they may choose to lease industrial units in the private sector. The total internal floor area of the four factory estates which HA proposed to be redeveloped is about 120 000 square metre. According to the statistics of the Rating and Valuation Department, there was over 1 000 000 square metre vacant flatted factory space in the private sector as at the end of December 2020, indicating an abundant supply. Among them, there are units comparable to the four factory estates HA intends to redeveloped in terms of building age, floor area, rent, location, etc.

Taking into account 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 introduced a special "early bird" arrangement for the tenants for the first time in this clearance exercise. To encourage affected tenants to find suitable space in the private sector or make other plans earlier, affected tenants who do not lease units in HA's two remaining factory estates and vacate and return the premises by end-February 2022 or earlier will be offered an additional cash sum of \$100,000 under the "early bird" arrangement. HA believes that this

additional cash sum should be able to provide a certain level of assistance to the affected tenants who do not lease units in HA's two remaining factory estates, especially those tenants leasing relatively fewer units (e.g. one or two standard units).

Assuming an affected tenant is paying a monthly rent of \$2,500 for leasing a standard unit of 25 square metre, the tenant concerned will be eligible for an EGA payment of \$37,500; and an additional cash sum of \$25,400 if he chooses not to 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 will further receive an additional "early bird" cash sum of \$100,000, amounting to \$162,900 in total.

HA appreciates that individual tenants may have different needs and may therefore wish to be provided with more assistance. According to the various allowances and payments currently provided by HA, the maximum amount payable to the tenant in the above example has reached 65 times of the monthly rent. In fact, the maximum amount payable to some individual tenants leasing multiple units exceeds \$2 million. As the use of public money is involved, HA needs to be prudent in handling the matter. HA will continue to maintain close liaison with affected tenants and provide timely response to their enquiries and concerns.

Thank you, President.