LCQ9: Redevelopment of factory estates of the Hong Kong Housing Authority

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (July 7):

Question:

The Hong Kong Housing Authority (HA) announced on May 24 this year that based on the results of its earlier study on the redevelopment of its six factory estates for public housing use, it had decided to rezone for residential use the sites on which four of such factory estates (the first four factory estates) were located but to retain at this stage the remaining two factory estates (i.e. Hoi Tai Factory Estate and Chun Shing Factory Estate (Hoi Tai and Chun Shing)) for their existing uses. HA announced at the same time the demolition arrangements and clearance package for the first four factory estates. In this connection, will the Government inform this Council:

(1) given that the affected tenants/licensees of the first four factory estates (affected tenants) may participate in restricted tenders to bid for the vacant units in Hoi Tai and Chun Shing, but the current overall occupancy rate of the four factory estates is as high as 97 per cent, whether it has assessed if the vacant units in Hoi Tai and Chun Shing can meet the demand of the affected tenants; if it has, of the details; whether it knows, among the affected tenants, the respective numbers of those who have indicated that they (i) intend to participate in the tenders, (ii) do not intend to participate in the tenders, and (iii) will move out within nine months so as to obtain an additional cash sum of $100,000;

(2) of the reasons why HA has required that the affected tenants may only rent the vacant units in Hoi Tai or Chun Shing with sizes not exceeding those of the units currently rented to them; whether it has assessed if such restriction will make it more difficult for the affected tenants to successfully rent suitable units in Hoi Tai or Chun Shing; if it has, of the assessment results, and whether it will request HA to remove the restriction;

(3) as some affected tenants have indicated that they are dissatisfied with the meagre amount of the allowance/cash sum provided by HA, whether HA will increase the amount concerned to encourage more tenants to move out as early as possible; if so, of the details; if not, the reasons for that; and

(4) whether HA has formulated long-term development directions for the sites of Hoi Tai and Chun Shing; if so, of the details?

Reply:

President,

The Hong Kong Housing Authority (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 due notice and tenants are not legally or contractually entitled to relocation or any form of compensation. However, it is HA’s established practice to provide advance notice to tenants affected by redevelopment/clearance programme to facilitate their making early plans, and to provide them with ex-gratia allowance (EGA), etc. to assist their removal. Drawing reference from previous practices and taking into account current circumstances, HA has approved and announced a series of arrangements for tenants affected by the redevelopment.

In addition to giving affected tenants an 18-month notice for vacating their premises on or 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 a cash sum in lieu amounting to $25,400 per standard unit (25 square meter in size). In addition, to encourage affected tenants to make plans earlier, HA has introduced a special "early bird" arrangement in this clearance exercise. Affected tenants who do not lease units in HA's two remaining factory estates and vacate and return the premises earlier, i.e. within nine months from the date of announcement of clearance, will be offered an additional cash sum of $100,000.

My reply to the question raised by the Hon Jimmy Ng is as follows:

(1) While HA has not conducted surveys on the intention of affected tenants, it believes that some tenants may wish to move to other suitable places to continue their businesses while others may take this opportunity to retire or wind up their businesses. Tenants will take into account the series of arrangements provided by HA and make their own plans according to their individual needs and circumstances.

To offer a choice for those who intend to continue their businesses, HA will arrange restricted tenders for affected tenants so that they will have the priority to lease vacant units in Chun Shing and Hoi Tai Factory Estates. As HA proposes to redevelop four of its factory estates, if all affected tenants who wish to continue businesses bid for vacant units in HA's two remaining factory estates, the supply will not be able to meet the demand. Alternatively, tenants who wish to continue business may lease factory units in the private sector. The total internal floor area of the four factory estates proposed to be redeveloped is about 120 000 sqm. According to the statistics of the Rating and Valuation Department, there was over 1 000 000 sqm vacant flatted factory space in the private sector as at the end of December 2020, indicating an abundant supply.

To encourage affected tenants to make plans earlier, HA has introduced a special "early bird" arrangement in this clearance exercise, which should be able to provide them with a certain level of assistance.

(2) According to HA's previous arrangements in clearing factory estates, affected tenants were allowed to lease other HA factory units through restricted tenders, provided that the size of the premises they bid did not exceed 50 sqm and that of their existing premises. To provide flexibility, HA has lifted the size restriction of 50 sqm in this exercise. However, due to the limited supply of vacant units and to provide leasing opportunities for more affected tenants, they will continue to be restricted from bidding premises of a size larger than that of their existing premises.

(3) 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, assuming an affected tenant is paying a monthly rent of $2,500 for leasing a standard unit of 25 sqm, the maximum sum payable will amount to $162,900, which is equivalent to 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.

(4) The sites at Chun Shing and Hoi Tai Factory Estates are considered not feasible for housing development due to the substantial noise, air quality and odour issues, which cannot be handled effectively through design or other mitigation measures. Redevelopment of these two sites for housing development will not be further pursued at this stage unless there are significant improvements in the environment in the nearby areas.