



Impacts of the Revitalizing Industrial Buildings (RIB) Scheme in Hong Kong



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ABSTRACT

In the 2009–2010 Policy Address, the Chief Executive of Hong Kong highlighted the importance of revitalizing old industrial buildings. The policy of revitalizing industrial buildings is expected to boost local economic growth by enabling owners to revitalize their industrial buildings and at the same time creating job opportunities and more usable floor space at competitive price for different trades. Different views on the impacts of the revitalization scheme since its implementation in April 2010 were collected by way of a large scale questionnaire survey from professionals, stakeholders, and the general public. This paper attempted to examine the impacts of revitalizing industrial buildings to the society from different perspectives. The identified impacts on the economic, social and cultural aspects of the policy can help policy maker to formulate better strategies for its implementation.

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1. Introduction

During the civil war of China in early 1950s Hong Kong witnessed the explosive growth of textile and other industries. Shanghaiese entrepreneurs came to Hong Kong as refugees and opened factories in the colony (Young, 1992). Many industrial buildings were built in this period. Hong Kong experienced major restructuring in the past decade and transformed into an international finance centre. Most of the manufacturing activity has moved into Mainland China where labour wages are low leaving behind some 1.07 million m² of under-utilized or vacant industrial buildings (Royal Institute of Chartered Surveyors (HK), 2009). It is projected that the floor space requirement of manufacturing industries will continue to reduce at 1.3% per annum in the Report on Area Assessments 2009 of Industrial Land in the Territory (Planning Department, 2009). The demand for manufacturing floor spaces continued decreasing to 6.6 million m² by the end of 2011 (Development Bureau, 2013a). Most of the industrial buildings in Hong Kong are vacant or under-utilized resulting in wastage of valuable land resources (Au, 2012). There have been calls for

realizing the potential of old industrial buildings. Revitalizing industrial buildings (RIB) through redevelopment and wholesale conversion are regarded as ways of expediting the overall urban regeneration of industrial urban areas (Chan, Zhai, & Cheung, 2012). In 2009–2012 Policy Address, the Chief Executive of the Hong Kong Special Administration Region highlighted the importance of revitalizing old industrial buildings (Policy Address, 2010) and reinforced in the 2014 Policy Address (Policy Address, 2014). The government proposed a package of measures under the policy of revitalizing industrial buildings (RIB) to release the potentials of over 1000 old industrial buildings aiming to develop local economy and create job opportunities. Under the introduction of “Other Specified Uses” annotated “Business” (“OU(B)”) zone in 2001 by Planning Department, about 200 hectares of “Industrial” land has been rezoned to “OU(B)”. Industrial buildings within this zone can be used for both industrial and office/commercial purposes (Planning Department, 2012). The “OU(B)” zone accommodates clean industries and lower grade office/commercial developments. The Policy was supported by building professionals (Chan, Cheung, & Wong, 2015).

Since the implementation of RIB from April 2010, the Lands Department (Lands) has approved 65 applications that released about 700 000 m² of converted or new floor spaces for retails and other new uses up to end of February 2013 (Development Bureau (DB), 2013b). The public expresses both favourable and adverse

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comments on the effects of RIB. This paper aims to identify the impacts of RIB on the economic, social and cultural aspects. The main objectives of the research are (a) study the status quo of implementing RIB, (b) identify the impacts of RIB to the society and study the causes for these impacts, (c) study the financial implications to stakeholders, and (d) define the scope of future study.

Semi-structured interviews were conducted with building professionals and scholars to collect their views on impacts of RIB relating to the economic, social and cultural aspects. Their comments together with literature review became the references for deriving questionnaires to study the impacts of RIB. Large scale questionnaire surveys were conducted. The questionnaires were distributed to professionals, stakeholders and the public to collect their views. The returned questionnaires were analyzed to identify the impacts of RIB on the society.

2. Different views from the society of Hong Kong

The implementation of RIB since 2010 generated more comprehensive outcomes embracing the local economic, social, and cultural developments (Chan et al., 2012). The Policy has aroused discussions in the society among the professionals and general public. It is important to understand different views on RIB in the society in order to evaluate possible impacts on the economic, social and cultural aspects in implementing the policy. Building professionals generally welcome the Policy but the general public expresses diverse views.

2.1. Views from members of professional institutes

RIB is generally supported by members of professional institutes including The Hong Kong Institute of Architects (HKIA), The Royal Institute of Chartered Surveyors (HK) (RICS (HK)), The Hong Kong Institute of Surveyors (HKIS), The Hong Kong Institute of Housing (HKIH), The Chinese Chamber of Commerce (CCC) and The Chinese Manufacturers' Association of Hong Kong (CMA) (Chan et al., 2015).

RICS (HK) conducted a thorough research on adaptive reuses of obsolete industrial buildings in June 2009. Effective implementation of RIB demands a flexible attitude in urban design and planning to permit creative use of the stock of structurally sound but redundant industrial buildings in order to create additional spaces, particularly less expensive spaces, for living, working and playing (RICS (HK), 2009). Members of professional institutes agree with the Government that RIB can boost the supply of commercial and residential market and alleviate partially the existing problems of housing spaces and insufficient supply of commercial properties (HKIH, 2012). Optimizing the use of existing industrial buildings to support the development of various trades and industries (CMA, 2010; HKIA, 2009) can generate economic momentum (Chan et al., 2012; CCC, 2009) and create more job opportunities (HKSAR, 2010; CMA, 2010; HKIH, 2012). The value of existing industrial buildings will increase after upgrading (CMA, 2010).

Revitalizing industrial buildings is expected to expedite urban renewal of industrial areas and can improve the environment (HKSAR, 2010; Chan et al., 2012; CMA, 2010; HKIH, 2012). On the other hand, implementing the Policy creates social problems. For instance, the longer operation hours of commercial buildings after change of use may result in tremendous increase and disperse pedestrian flow (HKIH, 2012) causing congestion.

2.2. Comments from media and general public

Literature review was carried out to obtain a general understanding of the comments from media and general public. Their views are rather diverse. RIB aims to release the potential of old industrial buildings to meet Hong Kong's changing economic and

social needs (Chan et al., 2012; Lam, 2010). RIB can provide certain benefits to the society. Buildings owners are encouraged to revitalize their industrial buildings under RIB that can save public expenditure in urban renewal (Li, 2012). The revitalized industrial buildings can contribute to meeting the community's rising demand for particular spaces (RICS (HK), 2009), such as office and residential land (HKSAR, 2010; HKIH, 2012). The shortage of commercial spaces can be alleviated (The Standard, 2012). The Policy allows greater flexibility in applying for change of use in the industrial buildings.

At present, many industrial building owners rent out their premises for unauthorized uses such as offices and art studios in order to increase revenue returns. Artists are attracted to these industrial buildings by the lower rents. Some industrial buildings even sub-divide their premises into small domestic units. It is expected that wholesale conversion of industrial buildings into rental domestic units can benefit tenants by exerting a downward pressure on the current rental rates (Li, 2012). However, the new use is illegal and endangers public safety as industrial buildings are not designed for residential use (Building Department, 2015). Approval of change of use under RIB can legalize and regulate the existing unauthorized uses, such as artist studio (Headline Daily, 2010). Legalizing change of industrial use into residential after modifying the industrial buildings to comply with building regulations can safeguard public safety.

On the contrary, the value of the industrial buildings increases after revitalization. The owners demand a greater return from their investment and increase the rents. RIB causes the industrial rent increases by 200–300% (Sun, 2012). The tremendous increase in rent suffocates the development of small business and artists. The businessmen and artists who are enjoying lower rent in the existing industrial buildings cannot afford the increase in rent and are forced to close down their business (Oriental, 2009; Headline Daily, 2010; Tsoi, 2011; Sun, 2012). Ming Pao reported that according to Planning Department's records, 77% of the approved cases were converted or redeveloped into offices (Ming Pao, 2013) since the implementation of RIB in 2010. RIB did not create an increase in residential land supply as anticipated. An overall planning of all industrial districts is necessary to balance urban development in the old industrial districts (Chan et al., 2015) and ensure adequate provision of infrastructure in these districts in order to facilitate assimilation of industrial areas into their districts (Ming Pao, 2013).

2.3. Views from scholars

Interviews were conducted to collect comments on RIB from scholars who are familiar with land policies. Dr. A was interviewed on 8th February 2013 at the Department of Building and Real Estate of The Hong Kong Polytechnic University. Dr. A is an expert in urban studies. Another interview was carried out with Professor B at the Kadoorie Institute of The University of Hong Kong on 2nd of July 2013. Professor B's research interest relates to environmental policies. Their comprehensive analyses help to review the impacts on economic, social and cultural aspects in implementing RIB.

RIB is regarded as a generator of economic momentum by creating more spaces for economic, social and cultural activities, as well as job opportunities. Increase in economic activities boosts the property market. The increase in property values leads to increase in the rent of revitalized industrial buildings. High land cost impedes cultural development. Artists cannot afford the increase in rent and moved to remote areas of cheaper rent or even closed down their studios. The established local culture will be suffocated as well. However, scholars disagree that RIB is the main cause of rent increase. The increase in rent actually reflects the market value of the undergoing economic activities within the

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