

## **Government Property Agency Work in 2005**

The work of the Agency mainly covers three programme areas which include Acquisition and Allocation, Property Management and Estate Utilisation.

### **I. ACQUISITION AND ALLOCATION**

2. The aim of this programme is to meet Government's accommodation needs, mainly for offices and quarters, in an economical and cost-effective manner.

#### **Demand and supply of office accommodation**

3. In 2005, the Agency assisted 57 bureaux/departments in meeting their needs for offices and allocated about 25,000m<sup>2</sup> of space to them. New leasing and renewal of leased office accommodation amounted to 5,000m<sup>2</sup> and 79,000m<sup>2</sup> respectively. Compared with 2004, there has been a reduction of 18,000m<sup>2</sup> in leased office accommodation resulting in savings of \$54 million per annum in rental. As at 31 December 2005, the total area of office space under the purview of the Agency was about one million m<sup>2</sup>. During the year, the Agency maintained a 99.9% occupancy rate of office accommodation.

4. In 2005, the Agency continued to pursue deleasing opportunities where possible and, through an improved annual accommodation review mechanism, encouraged bureaux and departments to undertake a regular and critical review of their office accommodation requirements in the short and medium terms.

5. To facilitate re-provisioning of government accommodation affected by the implementation of the Central Kowloon Route (CKR) project, a new government office building was planned in the West Kowloon district. The Agency has taken the lead in co-ordinating the departments affected in pursuing the new project in support of the CKR programme.

#### **Overseas properties**

6. In 2005, the Agency also managed 12 owned properties (five in North America, three in Europe, three in Asia and one in Australia) and four leased properties (one each in London, Brussels, Vancouver and Guangzhou) for the Economic and Trade Offices.

## **Quarters**

7. For better control of quarter utilisation and portfolio management, the Agency introduced a new classification of departmental quarters in 2003. The former categorisation of operational quarters and general quarters has been changed to disciplined services quarters, judiciary quarters, operational quarters and general quarters.

8. After initiating the first annual review on the utilisation of the operational quarters in 2004, the Agency reviewed 338 operational quarters under 11 bureaux/departments in 2005 and gave approval for the retention of 83 operational quarters. For quarters no longer required for operational purposes, they were returned to the Agency for deleasing, reallocation, reclassification or conversion to other uses.

9. During the year, the Agency deleased 11 disciplined services quarters, achieving savings in rental expenditure of about \$1.5 million annually. At the end of 2005, there were about 23,000 departmental quarters.

## **Acquisition of ex-HOS flats for use as quarters**

10. The Government has purchased 4,304 ex-Home Ownership Scheme (ex-HOS) flats from the Housing Authority for reprovisioning a similar number of old or sub-standard departmental quarters (DQs) on 15 sites scattered all over the territory. Fitting-out works for these replacement DQs have been completed. In 2005, the Agency took on the management of these 4,304 newly acquired ex-HOS flats for use as DQs and arranged the phased release of 15 vacant DQ sites. Of the 4,480 old DQ flats, some 4,380 units or 97.8% had been vacated by the end of March 2006.

## **Vetting of accommodation requirements**

11. One of the functions undertaken by the Agency in connection with acquisition of government properties is the setting of space standards and the vetting of space provision proposals. The Agency is a member of the Property Vetting Committee which examines and sets government accommodation and building design standards. The Committee also examines the schedule of accommodation and facilities for proposed departmental specialist buildings and ensures that due consideration will be given to the optimum utilisation of space.

12. In 2005, the Agency processed a total of 384 applications for office accommodation from 45 bureaux/departments, and completed the vetting of the schedules of accommodation covering a total area of about 213,000m<sup>2</sup>.

### **Minor building works projects**

13. The Government Property Administrator and Deputy Government Property Administrator are members of the Accommodation Strategy Group (ASG) and the Minor Building Works Committee (MBWC) respectively. The ASG and MBWC vet, examine and approve funding applications from bureaux/departments for minor building works projects under block vote 3101GX. With the assistance of our Technical Services Division, the Agency has completed vetting of 123 initial proposals for minor building works projects under the block vote and processed 88 funding applications out of which 77 projects were supported for implementation in 2005.

## **II. PROPERTY MANAGEMENT**

14. The aim of this programme area is to manage government properties under the control of the Agency efficiently and cost-effectively; to improve and modernise them to meet changing needs; and to ensure that the Government's rights and responsibilities as owner of Government, Institution and Community (GIC) accommodation in private developments are incorporated in the appropriate legal documents.

15. The Agency managed a total of 50 joint-user office buildings covering about 0.68 million m<sup>2</sup>, nearly 29,000 quarters of about 1.9 million m<sup>2</sup> and 195 non-residential FSI owned properties.

### **Property management services contracts**

16. The Agency first outsourced property management work to private Property Management Agents (PMA) in 2001. The outsourcing work covers all its residential and non-residential properties through four performance, outcome-based PMA contracts, one each covering Kowloon, New Territories and two covering Hong Kong Island.

17. In 2005, the contract for the Hong Kong 2 Area was re-tendered and the new contract was awarded to a new contractor with effect from 1 September 2005 for a contract period of 17 months until 31 March 2007. A main feature of the new contract was equal weighting on price and quality for evaluation of the tender bids and implementation of a 3-shift security guard service. Representatives of major users of the PMA services from different departments have been invited to serve on the tender assessment panel. The re-tendering process and the transition between the outgoing and incoming contractors have been smoothly completed.

### **Management of Financial Secretary Incorporated (FSI) properties**

18. As the representative of the FSI, the Agency manages Government FSI owned properties in private developments. The objective of this activity is to fulfill the landlord's role and obligations in respect of these properties such as paying management charges and vetting management budgets and renovation/repair estimates. The Agency also handles complaints against buildings defects or nuisances caused by occupants. Agency staff also attend management meetings of Owners' Committees and Owners Corporations of these FSI buildings as the FSI representative.

### **Commenting on Deed of Mutual Covenants (DMC) and Assignments in respect of Government Accommodation in private developments**

19. The Agency has delegated powers from FSI to execute DMCs and Assignments in respect of FSI owned properties. To ensure that Government's intentions, interests, rights and obligations as owner of Government Accommodation (GA) in private developments are properly reflected in the DMCs and Assignments of these properties, the Agency vets draft DMCs on behalf of FSI, liaises and negotiates with other government departments and/or developers as required. It represents Government as the owner of the GA with a long term financial interest in the management, maintenance and recurring charges relating to Government's share in the development. In 2005, the Agency vetted nine DMCs and Assignments.

### **Security measures during the MC 6 period**

20. The World Trade Organization Sixth Ministerial Conference (MC6) was held in December 2005 at the Hong Kong Convention and Exhibition Centre in close proximity to the government joint-user office buildings at Wanchai managed by the Agency. To tackle contingencies that may arise during MC6 period, the Agency has instituted preventive and mitigation measures in the buildings. In collaboration with relevant government departments, we organised large scale evacuation drills for all user departments, installed additional security equipment, and carried out physical improvement work to the buildings. When the Conference was in progress, we also redeployed staff to monitor the situation on site, step up security measures, and implemented access control in the office buildings to minimise potential risks.

## **III. ESTATE UTILISATION**

21. The aim of this programme is to optimise the utilisation of all government sites and surplus properties with potential for alternative government use or commercialisation. The estate utilisation work mainly includes –

- (a) to identify under-utilised sites, and if conditions are appropriate, to liaise with user departments for their release for alternative government use or disposal;
- (b) to advise government departments on ways to optimise site utilisation at the site reservation stage; to comment on planning proposals and studies, government land allocations and short terms tenancies; and
- (c) to monitor utilisation of sites to be developed by government departments with a view to optimising the utilisation of the site potential, and where appropriate, to assist in identifying joint-users to this end.

22. In 2005, 10 under-utilised sites with a total area of about 8.7 hectares were ready to be released for alternative use or disposal. Site utilisation endorsements in respect of 27 cases were given during the year.

### **Commercialisation**

23. The Agency's work in this programme area covers commercialisation of space (including surplus accommodation) in government buildings where appropriate by tender or direct negotiation and the letting out of such buildings to non-governmental organisations (NGOs) at commercial or nominal rent. Commercialisation services include public tendering of commercial opportunities; direct negotiation of lettings for commercial uses; cost effective use of surplus buildings; leasing of government accommodation to NGOs; and management of commercial and NGO tenancies. In 2005, there were 526 lettings for commercial activities with a total revenue of about \$297 million per annum.

### **Leasing out of surplus government quarters**

24. Another major initiative to optimise the use of properties is the leasing out of surplus government quarters. The Agency has appointed property leasing agents to provide services to both the Agency and the prospective tenants. Such services include marketing of properties, arranging viewing of properties by prospective tenants, obtaining information of prospective tenants and making offers on their behalf.

25. As at 31 December 2005, a total of 578 surplus quarters were leased out to the private sector and the total income generated from the leasing of surplus quarters for the year was \$179 million.