

Government Property Agency Work in 2006

The work of the Agency mainly covers three programme areas, namely 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 2006, the Agency assisted 51 bureaux/departments in meeting their needs for offices and allocated about 40,100m² of space to them. New leasing and renewal of leased office accommodation amounted to 11,900m² and 71,700m² respectively. Compared with 2005, there has been a reduction of 7,000m² in leased office accommodation resulting in savings of \$26 million per annum in rental. As at 31 December 2006, the total area of office space under the purview of the Agency was about 989,000m². During the year, the Agency maintained a 99.9% occupancy rate of office accommodation.

4. In 2006, the Agency continued to pursue de-leasing 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 is 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.

6. In the context of the Kai Tak Planning Review conducted by Housing, Planning and Lands Bureau and Planning Department, another new government office building is planned at Kai Tak. The proposal has afforded the Government an opportunity to consolidate government offices which are otherwise scattered, reduce government expenditure on renting accommodation as well as release government accommodation at prime sites for other development. The Agency has been liaising and co-ordinating with works agents and identified users so as to implement the project as soon as possible.

Overseas properties

7. In 2006, the Agency also managed 12 owned properties (five in North America, three in Europe, three in Asia and one in Australia) and six leased properties (one each in London, Brussels, Vancouver, Guangzhou, Shanghai and Chengdu) for the Economic and Trade Offices.

Quarters

8. For better control of quarters 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.

9. During the year, the Agency continued to conduct regular reviews of the use of departmental quarters to ensure their proper and effective utilization. In 2006, the Agency completed the second annual review of 77 operational quarters and approved the retention of 61 of them. For those quarters no longer required for their originally approved purposes, they have been put to alternative beneficial use such as reallocation to other departments, or reclassification to post-tied quarters or general quarters.

10. In 2006, the Agency released 9 disciplined services quarters, achieving savings in rental expenditure of about \$2.1 million annually. At the end of 2006, there were about 23,000 departmental quarters.

New Quarters Project

11. The Agency vetted and endorsed the construction of 336 quarters at Wu Hong Street, Tuen Mun for married junior police officers of the Hong Kong Police Force.

Vetting of accommodation requirements

12. 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.

13. In 2006, the Agency processed a total of 458 applications for office accommodation from 58 bureaux/departments, and completed the vetting of the schedules of accommodation covering a total area of about 528,000m².

Minor building works projects

14. 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. The Agency has completed vetting of 123 proposals for minor building works projects under the block vote and processed 73 funding applications out of which 63 projects were supported for implementation in 2006.

II. PROPERTY MANAGEMENT

15. 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.

16. The Agency managed a total of 50 joint-user office buildings covering about 0.68 million m², nearly 24,000 quarters of about 1.7 million m² and 201 non-residential FSI owned properties.

Property management services contracts

17. 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.

18. The four PMA contracts operated efficiently in 2006. The average performance level had further improved from 96% in 2005 to 97% in 2006. These contracts expired on 31 March 2007 and new contracts have come into operation from 1 April 2007.

Management of Financial Secretary Incorporated (FSI) properties

19. 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

20. 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 2006, the Agency vetted 35 DMCs and Assignments.

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 2006, eight under-utilised sites with a total area of about 5.6 hectares were ready to be released for alternative use or disposal. Site utilisation endorsements in respect of 33 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 2006, there were 585 lettings for commercial activities with a total revenue of about \$358 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 such as 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 2006, a total of 538 surplus quarters were leased out to the private sector and the total income generated from the leasing of surplus quarters for the year was \$164 million.

Government Property Agency
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