

## **Government Property Agency Work in 2010**

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 2010, the Agency assisted 24 bureaux/departments in meeting their needs for offices and allocated a total floor area of about 6 900m<sup>2</sup> to them. New leasing and renewal of leased office accommodation amounted to about 13 200m<sup>2</sup> and 78 300m<sup>2</sup> respectively. As at 31 December 2010, the total area of office space under the purview of the Agency was about 980 500m<sup>2</sup>. During the year, the Agency maintained a 99.9% occupancy rate of office accommodation.

4. In 2010, the Agency continued to pursue deleasing opportunities where possible and, through an annual accommodation review mechanism, encouraged bureaux and departments to review regularly and critically their office accommodation requirements in the short and medium terms. The Agency saved 33 million in rental for deleasing cases in 2010. Compared with 2009, however, there was a net increase of 2 600m<sup>2</sup> in leased office accommodation due to the demand for additional office space.

5. To facilitate the reprovisioning of government accommodation affected by the implementation of the Central Kowloon Route (CKR) project, Government plans to construct a new government office building in West Kowloon. The Agency has taken the lead in co-ordinating the departments affected in pursuing this new project in support of the CKR programme.

6. In the context of the Kai Tak Planning Review conducted by Development Bureau and Planning Department, the Agency is developing another new government office building at Kai Tak to consolidate government offices which are otherwise scattered, reduce government expenditure on renting accommodation and release government accommodation at prime sites for other uses. Through its works agent, the Agency has started the tendering work for the design-and-build contract for the project. Construction works will tentatively commence in early 2012 for completion by 2015.

### **Overseas properties**

7. In 2010, the Agency managed 12 owned overseas properties (five in North America, three in Europe, three in Asia and one in Australia) and seven leased properties (one each in London, Berlin, Brussels, Toronto, Guangzhou, Shanghai and Chengdu) for the Economic and Trade Offices.

### **Quarters**

8. There are three types of quarters, namely non-departmental quarters, departmental quarters and post-tied quarters. For better control of utilisation and portfolio management, the Agency further classified departmental quarters into disciplined services quarters, judiciary quarters, operational quarters and general quarters in 2003 to replace the former categorisation of operational quarters and general quarters.

9. In 2010, the Agency continued to review regularly the use of departmental quarters to ensure their proper and effective utilisation. During the year, the Agency completed an annual review of 17 operational quarters and approved the retention of 13 of them. The Agency has put quarters which are no longer required for their originally approved purposes to alternative beneficial uses such as reclassifying them as general quarters or declassifying them to become surplus accommodation.

10. In 2010, Government completed a quarters development at Wu Hong Street, Tuen Mun, providing 336 units for junior police married officers. During the year, the Agency deleased 10 disciplined services quarters. At the end of 2010, there were about 22 600 departmental quarters.

### **New Quarters Project**

11. Two quarters projects commenced construction in 2010. The one at Tsing Chau Street and Lee Kung Street, Hung Hom will provide 80 units for married inspectorate officers of the Customs and Excise Department while the other at Wo Yi Hop Road, Kwai Chung will provide 144 units for rank and file officers of the Immigration Department. Both projects are scheduled for completion in 2012.

### **Vetting of accommodation requirements**

12. One of the Agency's functions in connection with acquisition and allocation of government accommodation is the setting of space standards and the vetting of space provision proposals for general use office. 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 schedules of accommodation proposed by departments for departmental specialist buildings and ensures that the optimum utilisation of space is duly considered.

13. In 2010, the Agency completed the processing of 317 applications for accommodation from 51 bureaux/departments covering an area of about 327 000m<sup>2</sup>.

#### **Minor building works projects**

14. The Government Property Administrator and the 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. In 2010, the Agency vetted 63 proposals for minor building works projects under the block vote. During the year, the Agency received 43 funding applications and supported 42 of them for implementation.

## **II. PROPERTY MANAGEMENT**

15. The aims of this programme area are to manage efficiently and cost-effectively government properties under the control of the Agency; to improve and modernise them to meet changing needs; and to ensure that 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 48 joint-user office buildings covering about 655 000 m<sup>2</sup>, some 22 500 quarters totalling about 1 593 000 m<sup>2</sup> and 215 non-residential Financial Secretary Incorporated (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 outcome-based PMA contracts, two of them covering Hong Kong Island and one each covering Kowloon and the New Territories. Four PMA contracts took effect from 1 April 2007.

18. The four PMA contracts operated efficiently in 2010. The average performance level was 96% against the target of 95%. The Agency will continue to monitor the performance of its property management services contractors with a view to enhancing their efficiency and effectiveness.

### **Management of FSI properties**

19. As the representative of FSI, the Agency manages FSI owned properties in private developments with a view to fulfilling the landlord's role and obligations in respect of these properties such as paying management charges as well as vetting management budgets and renovation/repair estimates. The Agency also handles complaints against building defects or nuisances caused by occupants. The Agency represents FSI in management meetings of Owners' Committees and Owners' Corporations of these properties.

### **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 2010, the Agency vetted 25 DMCs and 5 Assignments.

### **III. ESTATE UTILISATION**

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

- (a) advising government bureaux/departments on ways to optimise site utilisation at the site reservation stage; providing inputs to planning proposals and studies, government land allocations and short terms tenancies;
- (b) reviewing under-utilised sites managed by government bureaux /departments and, if conditions are appropriate, assisting the bureaux/departments in releasing them for alternative uses or disposal as may be appropriate; and
- (c) advising on the utilisation of sites to be developed by government bureaux/departments and, where appropriate, assisting them in identifying joint users with a view to optimising the utilisation of the government sites.

22. In 2010, 10 under-utilised sites with a total area of about 11.2 hectares were ready to be released for alternative use or disposal. The Agency endorsed 33 site utilisation proposals during the year.

## **Commercialisation**

23. The Agency's work in this programme area covers commercialisation of suitable space (including surplus accommodation) in government buildings by tender, direct negotiation or letting out of such buildings to non-governmental organisations (NGOs) at commercial or nominal rent as appropriate. 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 2010, there were 741 lettings for commercial uses generating a revenue of about \$439 million.

## **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 in the marketing of properties, arranging prospective tenants to view the properties, obtaining information of prospective tenants and making offers on their behalf.

25. In 2010, the Agency leased out more than 280 surplus quarters to the private sector generating an income of \$133 million.

## **Sale of surplus government quarters**

26. Government's established policy is to dispose of surplus quarters as circumstances permit. In 2010, the Agency sold 16 surplus government quarters by public auction and tender generating proceeds of about \$381 million.

## **Sale of confiscated properties**

27. The Agency acquired 12 properties through litigation in 2006, and sold nine of them in 2008 and 2009. In 2010, the Agency sold the remaining three properties by public auction generating proceeds of about \$114 million.