

## **Government Property Agency Work in 2011**

The work of the Agency mainly covers three programme areas, namely, acquisition and allocation, property management and estate utilisation.

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

2. This programme aims 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 2011, the Agency assisted 26 bureaux/departments in meeting their needs for offices and allocated a total floor area of about 24 700m<sup>2</sup> to them. New leasing and renewal of leased office accommodation amounted to about 11 000m<sup>2</sup> and 43 100m<sup>2</sup> respectively. As at 31 December 2011, the total area of office space under the purview of the Agency was about 981 500m<sup>2</sup>. During the year, the Agency maintained the occupancy rate of office accommodation at 99.9%.

4. In 2011, 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 \$36 million in rental for deleasing cases in 2011. Compared with 2010, however, there was a net increase of 900m<sup>2</sup> in leased office accommodation due to the demand for additional office space.

5. The Legislative Council approved \$2.6 billion for the construction of the Trade and Industry Tower at the Kai Tak Development Area in January 2012. Construction works are in progress. Upon its completion by the end of 2014, government accommodation in the Trade and Industry Department Tower in Mong Kok will be released for commercial use. Also in the pipeline are the development of a new government office building in West Kowloon and the phased relocation of the departments in the three government office buildings at the Wan Chai waterfront.

## **Properties outside Hong Kong**

6. In 2011, 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**

7. 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 in 2003 departmental quarters into disciplined services quarters, judiciary quarters, operational quarters and general quarters so as to replace the former categorisation of operational quarters and general quarters.

8. In 2011, 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 13 operational quarters and approved the retention of 12 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 for disposal.

9. During the year, the Agency deleased three disciplined services quarters. At the end of 2011, there were around 22 580 departmental quarters.

## **New Quarters Project**

10. Two quarters are under construction. 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**

11. One of the Agency's functions in connection with acquisition and allocation of government accommodation is setting space standards and vetting 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.

12. In 2011, the Agency completed the processing of 477 applications for accommodation from 60 bureaux/departments covering total area of about 497 000m<sup>2</sup>.

## **Minor building works projects**

13. 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 2011, the Agency vetted 45 proposals for minor building works projects under the block vote. During the year, the Agency received 57 funding applications and supported 46 of them for implementation.

## **II. PROPERTY MANAGEMENT**

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

15. The Agency managed 48 joint-user office buildings covering about 655 000 m<sup>2</sup>, some 22 480 quarters totalling about 1 570 000 m<sup>2</sup> and 217 non-residential Financial Secretary Incorporated (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 outcome-based PMA contracts, two of them covering Hong Kong Island and one each covering Kowloon and the New Territories. The four PMA contracts were re-tendered and awarded to take effect from 1 April 2011.

17. The PMA contracts operated efficiently in 2011. 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**

18. As the representative of FSI, the Agency manages FSI owned properties in private developments with a view to fulfilling the owner'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 Deeds of Mutual Covenants (DMCs) and Assignments in respect of Government Accommodation in private developments**

19. The Agency executes DMCs and Assignments in respect of FSI owned properties under the delegated powers from FSI. 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 the Government as the owner of the GA with a long term financial interest in the management, maintenance and recurring charges relating to the Government's share in the development. In 2011, the Agency vetted one DMC and three Assignments.

### **III. ESTATE UTILISATION**

20. This programme aims 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 permit, 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.

21. In 2011, four under-utilised sites with a total area of about 13.3 hectares were released/ready to be released for alternative use or disposal. The Agency endorsed 32 site utilisation proposals during the year.

#### **Commercialisation**

22. The Agency's work in this programme covers commercialisation of suitable space (including surplus accommodation) in government buildings. Such commercialisation activities include tendering of commercial opportunities; direct negotiation of lettings for commercial uses; cost-effective use of surplus buildings; leasing of government accommodation to non-governmental organisations; and management of these tenancies. In 2011, there were 760 lettings for commercial uses generating a revenue of about \$669 million.

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

23. Another major initiative to optimise the use of properties is to lease out 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.

24. In 2011, the Agency leased out more than 300 surplus quarters to the private sector generating an income of \$151.9 million.

### **Sale of surplus government quarters**

25. The Government's established policy is to dispose of surplus quarters as circumstances permit. In 2011, the Agency sold 15 surplus government quarters by public auction, generating proceeds of about \$397 million.

Government Property Agency  
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