

# **Government Property Agency Work in 2013**

The work of the Government Property Agency (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 2013, the Agency assisted 14 bureaux and departments in meeting their needs for office accommodation and allocated a total floor area of about 3 800 m<sup>2</sup> to them. New leasing and renewal of leased office accommodation amounted to about 27 700 m<sup>2</sup> and 72 200 m<sup>2</sup> respectively. As at 31 December 2013, the total area of office space under the purview of the Agency was about 994 500 m<sup>2</sup>. During the year, the Agency maintained the occupancy rate of office accommodation at 99.9%.

4. In 2013, 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 \$58 million in rental for deleasing cases in 2013. Compared with 2012, however, there was a net increase of around 13 700 m<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 (KTDA) in January 2012. Construction works are in progress. Upon completion by April 2015, government offices in the Trade and Industry Department Tower in Mong Kok will be reprovisioned to the KTDA and the space vacated will be released for commercial use. Also in the pipeline is the development of a new joint-user government office building (JUB) in West Kowloon. Support for

the JUB development from the Yau Tsim Mong District Council was secured in December 2013. For the phased relocation of the departments in the three government office buildings at the Wan Chai waterfront, we are planning to build JUBs in Cheung Sha Wan, Tseung Kwan O and KTDA for reprovisioning purpose.

6. A government office property of 6 161 m<sup>2</sup> at Citibank Plaza was sold at a price of \$2,155,302,000 by the Agency in May 2013. The property was originally used by the Legislative Council Secretariat as office. Its sale has helped to release Grade A office space in Central for commercial use, in line with the government policy to increase the supply of commercial space in the market for development of different economic activities.

7. In 2013, the Agency actively engaged in negotiation with the Swire Properties Limited for the exchange of the government property of around 17 400 m<sup>2</sup> (Gross Floor Area) at Cornwall House (an industrial building) in Taikoo Place with 19 000 m<sup>2</sup> (Gross Floor Area) fully fitted Grade A office premises at Cityplaza Three in Quarry Bay. The exchange facilitates redevelopment at Taikoo Place which will provide additional Grade A office space (with total floor area of 187 000 m<sup>2</sup>) in the market and create additional open space (6 400 m<sup>2</sup>) for enjoyment by the community. This helps to rejuvenate the Quarry Bay area and bring town planning benefits to the community.

8. An agreement of exchange was subsequently executed in February 2014. In addition to the property exchange, the Government will further receive a cash compensation of \$537,000,000. A further payment will be made to the Government with reference to the subsequent change in the price index of Grade A office compiled by the Rating and Valuation Department upon completion of the redevelopment. The package reflects the redevelopment potential of the Cornwall House and any appreciation in office property value up till the completion of the redevelopment. The Government will also be reimbursed for the related costs incurred in the property exchange.

9. With the gradual change of Taikoo Place from an industrial area into a business area, the exchange is consistent with the government policy to relocate non-office functions away from business areas and to increase the supply of Grade A office space in the market. The completion of the property exchange is expected to take place no later than 30 December 2016.

## **Properties outside Hong Kong**

10. In 2013, the Agency managed 12 owned overseas properties (five in North America, three in Europe, three in Asia and one in Australia) and ten leased properties (one each in London, Berlin, Brussels, Toronto, Guangzhou, Shanghai, Chongqing and Fuzhou, and two in Chengdu) for the Economic and Trade Offices.

## **Quarters**

11. 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.

12. In 2013, the Agency continued to review regularly the use of operational quarters and post-tied quarters to ensure their proper and effective utilisation. The Agency has assisted departments in putting quarters which are no longer required for their originally approved purposes to alternative beneficial uses such as converting the quarters into student changing rooms or declassifying them for conversion into other departmental use.

13. At the end of 2013, there were around 22 730 departmental quarters.

## **New quarters projects**

14. The quarters project at Fu Tei, Tuen Mun, which will provide 140 units for the rank and file of four disciplined services departments, namely the Customs and Excise Department, the Correctional Services Department, the Fire Services Department and the Immigration Department, is scheduled for completion in late 2014. The Government will also expedite eight departmental quarters projects for disciplined services, aiming at providing more than 2 200 flats by 2020.

## **Vetting of accommodation requirements**

15. 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 (PVC) which examines and sets government accommodation and building design standards. The PVC also examines the schedules of accommodation proposed by departments for specialist / departmental buildings and ensures that optimum utilisation of the site is duly considered.

16. In 2013, the Agency completed the processing of 437 applications for accommodation from 52 bureaux and departments covering a total area of about 417 000 m<sup>2</sup>.

## **Minor building works projects**

17. 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 and departments for minor building works projects under block vote 3101GX. In 2013, the Agency received 109 proposals for minor building works projects, and supported 102 applications for implementation.

## **II. PROPERTY MANAGEMENT**

18. 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.

19. The Agency managed 47 joint-user office buildings covering about 651 600 m<sup>2</sup>, some 22 200 quarters totalling about 1 550 000 m<sup>2</sup> and 217 non-residential Financial Secretary Incorporated (FSI) owned properties.

## **Property management services contracts**

20. 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.

21. The PMA contracts operated efficiently in 2013. The average performance level of the PMAs was 96% against the target of 95%. The Agency will continue to monitor the performance of the PMAs with a view to enhancing their efficiency and effectiveness.

## **Management of FSI properties**

22. 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 government 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**

23. 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 2013, the Agency vetted eight DMCs and five Assignments.

### III. ESTATE UTILISATION

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

25. In 2013, seven under-utilised sites with a total area of about 31 hectares were released or ready to be released for alternative use or disposal, as set out below -

	<b>Property Location</b>	<b>Site Area (m<sup>2</sup>)</b>
1	Ex-Burma Lines Military Site, Fanling	283 500
2	Lower Radio Station (Site C), Tai Mo Shan	14 000
3	Murray Building, 22 Cotton Tree Drive, Central	6 100
4	4 Rose Street, Kowloon Tong	3 700
5	650 Cheung Sha Wan Road	1 500
6	Ex-Housing Department Staff Quarters, Tin Wan Street, Aberdeen	700
7	The junction of Fu Yan Street and Yan Oi Court, Kwun Tong	80

26. Separately, the Agency endorsed 29 site utilisation proposals during the year.

### **Commercialisation**

27. 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 2013, there were 825 lettings for commercial uses generating a revenue of about \$550.2 million.

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

28. 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.

29. In 2013, the Agency leased out 295 surplus quarters to the private sector generating an income of about \$ 164.7 million.

Government Property Agency  
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