

Government Property Agency Work in 2014

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 area 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 2014, the Agency assisted 17 bureaux and departments in meeting their needs for offices and allocated a total floor area of about 7 700 m² to them. New leasing and renewal of leased office accommodation amounted to about 23 100 m² and 39 300 m² respectively. As at 31 December 2014, the total area of office space under the purview of the Agency was about 1 011 000 m². During the year, the Agency maintained the occupancy rate of office accommodation at 99.9%.

4. In 2014, the Agency continued to pursue deleasing opportunities where practicable 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 about \$5.5 million in rental for deleasing cases in 2014. Compared with 2013, however, there was a net increase of around 21 000 m² in leased office accommodation due to the demand for additional office space.

5. Following completion of the construction of the Trade and Industry (TI) Tower at the Kai Tak Development Area (KTDA) in April 2015, user departments originally accommodated in the Trade and Industry Department (TID) Tower in Mong Kok and certain leased premises in Kowloon would be reprovisioned to the TI Tower. Subsequently, the TID Tower accommodation of over 18 000m² will be released for commercial use whereas the leased premises will be deleased to achieve rental savings. Also in the pipeline is the development of the West Kowloon Government Offices (WKGO). The Legislative Council Panel on Financial Affairs supported this project during the consultation in February 2014. Subsequent to the recent funding approval in the Finance Committee of the Legislative Council, we will commence the

construction work of WKGO, and it is expected to be completed in 2019. Part of the WKGO will be used for reprovisioning to provide for the relocation of the departments in the three government office buildings at the Wan Chai waterfront. We have also earmarked sites in other areas including Kai Tak, Cheung Sha Wan, Tseung Kwan O and Chai Wan for construction of other replacement buildings for this major relocation exercise. According to our current plan, and subject to resource availability and progress of the preparation in respect of the various reprovisioning projects, we will seek funding approval of the Legislative Council to take forward the projects in succession in the next few years, for completion successively after 2019.

6. Following the execution of an agreement for exchange in February 2014 in respect of an industrial property held by the Financial Secretary Incorporated (FSI) of around 17 400 m² (Gross Floor Area) at Cornwall House in Taikoo Place with 19 000 m² (Gross Floor Area) fully fitted Grade A office premises at Cityplaza Three in Quarry Bay, the Agency has commenced the action plan on coordination with relevant departments to carry out the fitting-out works of the office premises at Cityplaza Three for occupation by the departments concerned.

7. To tie in with the Government land sale programme, the Agency returned the vacated Middle Road Multi-storey Car Park Building (MRMSCP) in Middle Road in Tsim Sha Tsui to the Lands Department in August 2014. The ex-MRMSCP site, with area of around 2 630 m², was sold by public tender at a price of \$4,688 million in September 2014. The new development will provide a maximum gross floor area of 31 560 m² for commercial use and will help increase the supply of commercial space in Tsim Sha Tsui, which is consistent with the government policy to increase the supply of commercial space in the market for development of different economic activities.

Properties outside Hong Kong

8. In 2014, the Agency managed 12 owned properties (five in North America, three in Europe, three in Asia and one in Australia) and 11 leased properties (one each in London, Berlin, Brussels, Toronto, Guangzhou, Shanghai, Chongqing, Fuzhou and Wuhan, and two in Chengdu) outside Hong Kong for the various Economic and Trade Offices.

Quarters

9. There are three broad types of quarters, namely non-departmental quarters, departmental quarters (which comprise disciplined services quarters, judiciary quarters, operational quarters and general quarters) and post-tied quarters. At the end of 2014, there were 657 non-departmental quarters, 22 571 departmental quarters and 173 post-tied quarters.

10. In 2014, 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 gainful uses. For example, the Water Supplies Department's Ex-Hing Fong Road Staff Quarters were vacated and handed over to the Lands Department in November 2014 and the land concerned was subsequently sold in land sale in January 2015 at a price of \$372.1 million.

New quarters projects

11. The quarters project at Fu Tei, Tuen Mun, which will provide 140 units for the rank and file officers of five disciplined services departments, namely, the Customs and Excise Department, the Correctional Services Department, the Fire Services Department, the Government Flying Service and the Immigration Department, is scheduled for completion in mid-2015. The Government will also expedite eight other departmental quarters projects for disciplined services, aiming at providing more than 2 200 flats by 2020.

Vetting of accommodation requirements

12. 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 office use. 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 the sites involved are optimally utilised.

13. In 2014, the Agency completed the processing of 397 applications for accommodation from 58 bureaux and departments covering a total area of about 451 000 m².

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 and departments for minor building works projects under block vote 3101GX. In 2014, the Agency received 49 proposals for minor building works projects, and supported 41 applications for implementation.

II. PROPERTY MANAGEMENT

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

16. The Agency managed 46 joint-user office buildings covering about 647 000 m², some 22 200 quarters totalling about 1 550 000 m² and 221 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 residential and non-residential properties under the Agency through four outcome-based PMA contracts, two of them covering Hong Kong Island and one each covering Kowloon and the New Territories. The PMA contracts were re-tendered in late 2014 and have been awarded to take effect from 1 April 2015, and the number of contracts has been increased from four to six (two covering Hong Kong Island, two covering Kowloon and two covering the New Territories).

18. The PMA contracts operated efficiently in 2014. The average performance level of the PMAs was 95%, 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

19. 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 including paying management charges as well as vetting management budgets and renovation/repair estimates. The Agency also handles complaints against building defects or nuisances relating to occupation of FSI properties. The Agency also 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

20. 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 properties in private developments are properly reflected in the DMCs and Assignments of these properties, the Agency vets draft DMCs on behalf of FSI, and liaises and negotiates with relevant government departments and/or developers as required. The Agency represents the Government as the owner of the government properties with a long term financial interest in the management, maintenance and recurring charges relating to the Government's share in the development. In 2014, the Agency vetted five DMCs and five Assignments.

III. ESTATE UTILISATION

21. This programme area 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 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.

22. In 2014, three under-utilised sites with a total area of about one hectare were released or ready to be released for alternative use or disposal, as set out below –

	Property Location	Site Area (m ²)
1	Tung Ping Chau Training Camp, Ping Chau East	4 400
2	Middle Road Multi-storey Carpark Building, Tsim Sha Tsui	3 200
3	Ex-Lok Fu Housing Department Staff Quarters, Heng Lam Street, Lok Fu	2 700

The Agency endorsed 33 site utilisation proposals during the year.

Commercialisation

23. 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 2014, there were 859 lettings for commercial uses generating a revenue of about \$603 million.

Leasing out surplus government quarters

24. 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.

25. In 2014, the Agency leased out 298 surplus quarters to the private sector generating an income of about \$159.9 million.

Sale of surplus government properties

26. The Government's established policy is to dispose of surplus properties as circumstances permit. In 2014, the Agency sold 12 surplus government quarters and 11 surplus government properties by public auction and tender, generating proceeds of about \$400 million.