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5 January 2018

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Mr Anthony CHU)

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 8 of the Director of Audit's Report No. 69
Provision of government office accommodation and
utilisation of government sites

I refer to your letter dated 19 December 2017.

Please find attached our responses to the issues mentioned in your letter.

Yours sincerely,

(Kevin SIU)
for Government Property Administrator

Encl.

c.c. Secretary for Financial Services and the Treasury (Fax No. 2537 3539)
Director of Civil Engineering and Development (Fax No. 2246 8708)
Director of Architectural Services (Fax No. 2810 7341)
Director of Audit (Fax No. 2583 9063)

Public Accounts Committee

Consideration of Chapter 8 of the Director of Audit's Report No. 69 Provision of government office accommodation and utilisation of government sites

Part 2: Provision of government-owned office accommodation

For the Financial Services and the Treasury Bureau (“FSTB”) / Government Property Agency (“GPA”) / Architectural Services Department (“ArchSD”)

- 1) With reference to paragraph 2.16, what measures will the Administration take to prevent further slippage to the six projects which had encountered delays? As the relocation of the Wan Chai Law Courts is still under planning without a projected completion date, does the Administration consider that the estimated completion date of 2025-2026 is realistic and achievable?

Consolidated reply of FSTB, GPA and ArchSD

The relocation of the Wan Chai Government Offices Compound (“WCGOC”) is a mega project involving 28 bureaux/departments (“b/ds”) and the Judiciary, with a total staff headcount of over 10 000. A project of such scale and complexity calls for detailed planning, extensive preparatory work and careful implementation. As set out in paragraph 2.16 of Chapter 8 of the Director of Audit’s Report No. 69, while the delay of the six replacement building projects were mainly due to unforeseeable factors such as changes in project scope to meet local needs and technical constraints, the concerned b/ds are making concerted efforts to work towards the target of completing the replacement building projects under the relocation exercise by 2025-26.

The FSTB assumes an overall policy role in monitoring the WCGOC relocation exercise. FSTB is assisted by the GPA, which serves as a coordinator in liaising with the ArchSD (works agent of the

replacement building projects) and the user departments (including the project proponents of the replacement buildings and the b/ds to be relocated in the exercise). FSTB agrees with the recommendation of the Audit Commission and will, in collaboration with GPA and ArchSD, closely monitor the implementation of the nine replacement building projects for the WCGOC relocation exercise. GPA will continue to submit regular progress reports to FSTB. The progress of WCGOC is also a standing discussion item discussed at regular meetings held by FSTB with GPA. Should any individual projects encounter problems, on the advice of GPA and / or ArchSD, FSTB stands ready to help resolve interface issues between departments and drive for progress.

GPA will continue to assist FSTB in monitoring the overall relocation schedule, closely liaise with the concerned b/ds in tracking progress, and update FSTB promptly of issues of concerns, if any, to facilitate early resolution. For the three replacement buildings for which GPA is responsible (namely the West Kowloon Government Offices in Yau Ma Tei, the Treasury Building in Cheung Sha Wan, and the Joint-user Government Office Building in Tseung Kwan O), GPA will work hand in hand with ArchSD and the b/ds to be relocated therein to meet the target completion dates.

ArchSD, as the works agent of the projects, will carry out building design for the projects in a timely manner and provide technical support to the project proponents to facilitate early completion of consultations and the funding approval process. Barring further significant changes to the project scope and design requirements due to unforeseeable circumstances, ArchSD will proceed with the procurement of works contracts expeditiously, and closely monitor the progress of the construction works until project completion.

Taking into account the progress to date of and the procedures required for all the replacement building projects, including the future District Court Complex for the relocation of the Wan Chai Law Courts, it is our target to complete the replacement building projects under the WCGOC relocation exercise by 2025-26.

For the GPA

- 2) With reference to the paragraphs 2.6 and 2.7, how is the GPA going to meet the 168 requests for new office space of 94 921 m² additional accommodation needs of the bureau/departments for the five-year period from 2017-18 to 2021-22? Will GPA need to increase its leased office accommodation?

Reply

The 168 requests for new office space of 94 921 m² arising from the additional accommodation needs of b/ds are indicative estimates for the five-year period from 2017-18 to 2021-22. The new office space requirements can be met partly by the surplus space to be released (about 50 500 m²) by b/ds and partly by possible construction of new specialist/departmental buildings (about 30 000 m²) by the relevant b/ds if suitable sites can be identified.

GPA will continue to assist b/ds to meet their accommodation needs through the construction of new buildings, direct purchase, provision through lease conditions in private developments or leasing.

- 3) According to paragraph 6 of Case 2 in paragraph 2.24, GPA assisted the Judiciary in identifying the ex-Western Police Married Quarters site in Sai Ying Pun for relocating the Wan Chai Law Courts as early as 2008. However, it was only in 2012 that the ex-Quarters site was identified as not feasible for reprovisioning the Wan Chai Law Courts. How is GPA going to prevent recurrence of similar problems in future reprovisioning projects?

Reply

In future reprovisioning projects, GPA will continue to consult the user b/ds on the technical parameters at an early stage to ensure the suitability of the proposed site. For instance, user b/ds will be required to clearly advise any special requirements on accommodation, fitting-out, services installation, parking provision, etc.

GPA will also consult concerned departments at an early stage, including the Planning Department and the Architectural Services Department on the planning assumptions/parameters and preliminary advice on technical feasibility, etc. before firming up the reprovisioning proposal.

In addition, once a user b/d accepts a proposed site for relocation, GPA will request it to complete the project definition statement (“PDS”) with special user and operational requirements as early as possible to facilitate confirmation of the site’s technical feasibility by the works departments.

Part 3: Administration of leased government offices

- 4) According to paragraph 3.5, in 2014, in addition to the two potential office premises recommended by GPA for meeting the Labour and Welfare Bureau’s new office requirement of 4 800 m², GPA’s estate agents had also identified seven office premises of comparable/lower rent. However, there was no documentation of the reasons for rejecting/not recommending these offers to Bureau for its consideration, contrary to the GPA’s laid-down requirement. Why was there no documentation and what measures will GPA take to ensure compliance in future?

Reply

In the Labour and Welfare Bureau (“LWB”)’s leasing case, taking into account LWB’s accommodation needs, GPA had obtained asking rents from estate agents and exercised judgment to select suitable premises for LWB’s consideration. As in all other leasing cases, GPA considered factors such as timing, location, space availability, land use, etc. in the selection process. The reasons for rejecting/not recommending other rental offers in the LWB’s case included timing mismatch, undesirable location, incompatible land use and insufficient space available.

Noting that the case officer concerned failed to properly document the reasons for rejecting/not recommending other rental offers in accordance with the divisional instruction, GPA has already reminded its staff to comply with the documentation requirement. GPA has also checked and confirmed that all recent leasing cases are in order and will carry out sample supervisory checks periodically to ensure compliance.

- 5) With reference to paragraph 3.6, there were no documented reasons for not considering a nearby new Grade A office building leased by GPA at a rent which was 43% lower than that under Lease C. What were the reasons for not considering this option to achieve rental savings?

Reply

Before GPA commits to renew an existing lease, the case officer of GPA is required under the established procedures to assess whether the offered rent is reasonable before recommending the lease renewal for approval. All considerations as well as the decision should be properly documented.

According to GPA's valuation report in July 2009 for the subject case, the monthly rentals payable by the private sector in recent lettings of comparable premises in the locality were within a range of \$270/m² to \$455/m² on an internal floor area ("IFA") basis. The GPA case officer therefore considered that the monthly rent offered under Lease C at \$293/m² on IFA was reasonable.

In lease renewal cases, other than the rental level, GPA also takes into account other considerations including the proposed rental package of the existing and alternative premises, reprovisioning costs (such as new fitting out costs, reinstatement costs and removal costs), etc.

Although GPA was able to secure the leasing of a nearby property (with a larger floor area) for another department at a lower rent in January 2009, there was no other suitable alternative premises available for letting for the subject case in the locality in July 2009

which offered a rental difference that could offset the reprovisioning costs to be incurred by moving to a new office. As office market rentals may fluctuate greatly from time to time, a single deal (the rental of which was particularly low side in this case) should be used only for general reference.

- 6) According to paragraphs 3.12 to 3.14, the use of some 76% of 4 010 m² of Grade A office in Kowloon Bay (monthly rent of \$265 per m²) for the Social Welfare Department's non-location-tied storage is not good value for money. Does GPA agree that it should help the Social Welfare Department to meet its needs in a more cost-effective manner? What considerations GPA had when it proposed the reprovisioning of the Central Casefile Depository in late 2015?

Reply

GPA agrees that it should assist the Social Welfare Department ("SWD") to meet its non-location-tied storage needs in a more cost-effective manner where feasible. In the renewal of leased accommodation, GPA needs to take into account factors such as justification for the continuing need for the leased premises, the proposed rental package and lease terms, the availability of other suitable premises in the market, the economics of a new lease, new fitting-out costs and removal costs. GPA did not consider SWD's proposed reprovisioning plan from a leased accommodation to another leased accommodation cost-effective for reasons stated in paragraph 3.12 of Audit's Report. However, GPA will take note of Audit's observations and follow its recommendation in paragraph 3.17(b) when handling other similar cases in future.

In late 2015, GPA proposed and SWD accepted to reprovision the latter's Central Casefile Depository from the leased accommodation in Kowloon Bay to government-owned premises to be constructed with a view to achieving rental savings and security of tenure.

Part 4: Utilisation of government sites

- 7) With reference to paragraph 4.15, would GPA explain why the omissions and discrepancies in the Government Property Information System occurred? What measures will GPA take to improve the situation? Will GPA review all government-owned sites information recorded in the Government Property Information System with a view to ensuring that the information is accurate and up-to-date? If yes, when will this review be completed?

Reply

GPA updates the information of government sites in the Government Property Information System (“GPIS”) upon receiving b/ds’ notifications of changes in site particulars, such as completion of government buildings, changes in planning parameters including zoning, land use, site area, etc. GPA will also update the site information where appropriate upon performing various scheduled functions such as annual site utilisation reviews.

Information of the majority of government sites is provided by other b/ds in the capacity of managing b/ds, works agents, etc. Such information is subject to change from time to time without prior notice to GPA. Despite such constraints, GPA will strengthen its existing communication with the data providers (i.e. the concerned b/ds) with a view to capturing on a more frequent and regular basis up-to-date information for the GPIS. Separately, GPA has since August 2017 been undertaking a computer development project to enhance the GPIS for keeping up with changing operational needs and requirements. The project is estimated to be completed in April 2019. GPA will also take the opportunity to consider enhancing the system capabilities to perform more automatic cross-checking of various processes to prevent data omissions/discrepancies during routine data updating exercises.

Reviewing government site information is an on-going process as the site particulars are not static and will change from time to time. Since such review processes often require input from relevant b/ds and

are very labour intensive, GPA will accord priority to those developed government sites in annual site utilisation reviews. In view of Audit's findings, GPA has already rectified the data where discrepancies/omissions have been identified (i.e. those without relevant site records). GPA will also consider adopting a targeted approach to reviewing those records with obvious data discrepancies in the GPIS. Completion of such review is expected to tie in with the rolling out of the relevant GPIS enhancements by April 2019.

- 8) According to paragraphs 4.17(c) and 4.19, GPA has agreed with the Audit Commission's recommendation that GPA should set priority in selecting sites with better development potential from the 1 569 sites pending site-utilization reviews for review and follow-up actions. Please provide a timeline for the review and follow-up actions. Will GPA explore other measures to speed up the reviews?

Reply

Whether any government site possesses development potential depends on a range of factors including land use, zoning, topography, availability of vehicular access, feasibility of reprovisioning existing facilities, presence of conservation elements, changes to neighbouring developments, etc. The annual site utilisation review is hence not a simple desktop calculation exercise. It requires inputs from other relevant departments including planning assessment, reviews of existing facilities and proposals for future uses, etc. The time required for completing the review by GPA depends on a range of factors beyond GPA's control including the timely feedback from relevant b/ds. Nevertheless, GPA will endeavor to liaise closely with the relevant b/ds so as to speed up the review.

In addition, the total number of government sites is not static due to site disposal, change in zoning, land use and redevelopment, etc. In future annual site utilisation reviews, GPA will continue to set priority to review those more deserving sites meeting specific criteria applicable to that particular year, e.g. facilitation of new policy initiatives, completion of new infrastructure, changes to the locality, etc., in addition to site specific characteristics as mentioned in the

above. The ultimate objective is to assist the managing b/ds in better optimising the utilisation of their under-utilised sites as early as possible or releasing them for alternative uses or disposal as appropriate.

- 9) Please provide information, such as the floor area, building conditions (please specify if there are monuments or historic buildings) and reasons for vacancy, of the 27 premises mentioned in paragraph 4.23. Will GPA consider leasing these premises to public or allowing application for use from non-profit making organizations?

Reply

The information of the 27 vacant or under-utilised premises of specialist and departmental accommodation as referred to in paragraph 4.23 of Audit's Report is shown at Annex. They are all managed by other b/ds, and GPA has not been informed of the reasons for their vacancy.

B/Ds are responsible for the proper management of all of their allocated accommodation and for putting the accommodation to gainful use. If there are accommodation surplus to the b/ds' operational requirements, they may seek GPA's assistance in identifying other interested user departments or, failing that and if conditions permit, exploring commercial lettings. Surplus government accommodation may also be let out to non-governmental organisations ("NGOs") provided that policy support has been given by the relevant b/ds. To facilitate NGOs' consideration, GPA has posted on its website such surplus accommodation. If all the above attempts fail, GPA will suggest the managing b/ds explore the possibility of releasing the sites for alternative uses or disposal where appropriate.

Of the 27 premises concerned, as of 27 December 2017, five (items 1, 12, 17, 18 and 22 of table at Annex) had been taken up by b/ds for alternative use, and two (items 4 and 27) were being considered for use by b/ds. One (item 8) was being processed for use by an NGO and one (item 19) being considered for demolition. For the rest of

the premises, GPA will continue to assist their managing b/ds to explore alternative uses.

- 10) According to Case 6 in paragraph 4.10, some 26 years after acquiring the godown in 1990, no decision had been taken on whether the proposed road project would be implemented. Can the Administration explain why? While GPA had put the godown into short-term uses from 1991 to 2007, it had been left vacant for some 10 years up to August 2017. What measures will the Administration take to prevent recurrence of similar problems?

Reply

Since taking over the subject godown in 1991, GPA had from time to time invited the relevant b/ds to confirm the implementation or otherwise of the road project. In the meantime, GPA had leased out the godown in the market for industrial use until 2007 when it had become too dilapidated. Since then, GPA had also explored alternative use of the godown within the government but the attempts were not successful due to the substantial repair costs involved. In 2012, GPA proposed to re-zone the site from “Road” to “Industrial” for alternative long-term use, and demolish the building to save maintenance and management costs. Upon confirmation from relevant b/d in 2014 that there was no immediate need for the implementation of the road project and unsuccessful leasing to NGOs in 2015 and 2016, GPA obtained funding in 2017 to demolish the building with a view to releasing the site for alternative uses.

In handling dilapidated buildings which may require substantial maintenance costs in future, GPA will invite the relevant departments to review if these buildings are beyond reasonable economic repairs, and if warranted, to consider demolition for releasing the site for alternative uses.

**27 Vacant or Under-utilised Government-owned Premises
of Specialist and Departmental Accommodation as referred to in
paragraph 4.23 of Audit's Report**

Item	Premises	Vacant floor area (m2)	Managing b/d	Monument (M)/Historic Building (Grade)	Latest Position (if any, as at 27 December 2017)
1	Lower Shing Mun Raw Water Pumping Station Staff Quarters at Tai Wai	208 Wholly vacant	Water Supplies Department (WSD)	NA	Already taken up for use by a b/d.
2	Albany Fresh Water Pumping Station Staff Quarters at Mid-levels (<i>Note</i>)	232 Wholly vacant	WSD	NA	
3	Part of Nam Cheong District Community Centre at Sham Shui Po	460 Partly vacant	Home Affairs Department	NA	
4	Tsuen Wan Environmental Resources Centre at Tsuen Wan	115 Wholly vacant	Environmental Protection Department	NA	Already applied for use by a b/d.
5	Part of Fu Shan Crematorium Staff Quarters at Sha Tin	25.7 Partly vacant	Food and Environmental Hygiene Department	NA	
6	Elliot Treatment Works at Western District (<i>Note</i>)	70 Wholly vacant	WSD	III	
7	Tsuen Wan Raw Water Pumping Station Staff Quarters at Tsuen Wan (<i>Note</i>)	278.4 Wholly vacant	WSD	NA	
8	Peak Depot at Upper Central (<i>Note</i>)	150 Wholly vacant	WSD	II	An NGO has applied for use of the premises.
9	Albany Garden Staff Quarters at Mid-levels (<i>Note</i>)	263.6 Wholly vacant	Leisure and Cultural Services Department	NA	

Item	Premises	Vacant floor area (m2)	Managing b/d	Monument (M)/Historic Building (Grade)	Latest Position (if any, as at 27 December 2017)
10	Ex-NT Heung Yee Kuk Southern District Secondary School at Mui Wo, Lantau Island	6,852 Wholly vacant	Education Bureau	NA	
11	Mui Wo Fire Boat Berthing Pier at Mui Wo, Lantau Island (<i>Note</i>)	24 Wholly vacant	Fire Services Department	NA	
12	Cheung Sha Water Treatment Works Staff Quarters at Cheung Sha, Lantau Island	139 Wholly vacant	WSD	NA	Already taken up for internal use by WSD.
13	Workmen's Quarters at Tai Tam Byewash Reservoir at Tai Tam (<i>Note</i>)	111 Wholly vacant	WSD	III	
14	Red-brick Building at Tai Tam Reservoir Road at Tai Tam (<i>Note</i>)	64 Wholly vacant	WSD	III	
15	Workmen's Quarters at former Wong Nai Chung Reservoir at Wong Nai Chung (<i>Note</i>)	76.8 Wholly vacant	WSD	II	
16	Tai Tam Tuk Raw Water Pumping Station No. 2 Staff Quarters at Tai Tam (<i>Note</i>)	120 Wholly vacant	WSD	M	
17	Part of Cheung Chau Fresh Water Pumping Station Staff Quarters at Cheung Chau	60.8 Partly vacant	WSD	NA	Already taken up for internal use by WSD.
18	Part of Lamma Island Depot Staff Quarters at Lamma Island	32 Partly vacant	WSD	NA	Already taken up for internal use by WSD.
19	Part of Diamond Hill Fresh & Salt Water Pumping Station Staff Quarters at Wong Tai Sin	119.8 Partly vacant	WSD	NA	Demolition being considered.
20	Part of Silver Mine Bay Staff Quarters at Lantau Island	255 Partly vacant	WSD	NA	

Item	Premises	Vacant floor area (m2)	Managing b/d	Monument (M)/Historic Building (Grade)	Latest Position (if any, as at 27 December 2017)
21	Tai O Depot Staff Quarters at Lantau Island	90 Wholly vacant	WSD	NA	
22	Part of Aberdeen Water Treatment Works Staff Quarters at Aberdeen	302.7 Partly vacant	WSD	NA	Already taken up for internal use by WSD.
23	Tai O Depot at Tai O, Lantau Island	55 Wholly vacant	WSD	NA	
24	Part of Peng Chau Depot Staff Quarters at Peng Chau	60 Partly vacant	WSD	NA	
25	Part of Cheung Chau Depot Staff Quarters at Cheung Chau	59.9 Partly vacant	WSD	NA	
26	Tai Lam Chung Reservoir Staff Quarters Bungalow 10 at Tai Lam Chung	50 Wholly vacant	WSD	NA	
27	Part of Sandy Bay Fresh Water Pumping Station Staff Quarters Block B at Pok Fu Lam	215 Partly vacant	WSD	NA	Already applied for use by b/ds.

Note: Sites currently uploaded at GPA's website inviting interested NGOs to apply for use.