

## **NOTE FOR FINANCE COMMITTEE**

### **Report on 71KA – Purchase and fitting out of office accommodation for the Equal Opportunities Commission**

#### **INTRODUCTION**

This note informs Members of the Administration's decision to withdraw the funding submission set out in PWSC(2002-03)7 relating to the purchase and fitting out of about 1 608 square metres in net floor area (NFA) of office accommodation for the Equal Opportunities Commission (EOC).

#### **BACKGROUND**

2. At the Public Works Subcommittee meeting on 17 April 2002, the item was voted on and endorsed. The item was subsequently submitted to the Finance Committee (FC) for approval at its meeting on 10 May 2002. At the FC meeting, some Members expressed concerns on the ceiling price sought for the purchase of office premises (\$60,000 per square metre in NFA). A Member's motion to adjourn discussion on the item was put to vote and carried.

3. To address some FC Members' concerns, EOC has tried to look for office premises in various locations but was not able to find suitable premises of a lower ceiling price located in areas which would be easily accessible, well-served by public transport, and barrier-free for persons with disabilities. As EOC's lease was due to expire in December 2002, there was an urgent need to explore other options. The Office of the Privacy Commissioner for Personal Data (PCO) confirmed in October 2002 that they would move their office, which was located on the same floor as EOC's existing office, in mid-February 2003. Since the space available to be vacated by the PCO is about 460 square metres in NFA and similar to the additional space sought by EOC, the short to medium term space requirement will be met. EOC therefore decided to negotiate with the landlord to renew and extend the existing lease at the Convention Plaza to cover the entire floor.

4. The final rental package for the leasing of the whole floor mentioned above, at the unit rent of \$181 per square metre in NFA, represents a reasonable result achieved by EOC in November 2002, because –

- (a) EOC had been closely monitoring the trend of the asking rents for office accommodation in Convention Plaza since May 2002, and their existing lease would expire in December 2002;
- (b) according to the statistics published by the Rating and Valuation Department, the average unit rent of comparable office accommodation in the area was about \$220 per square metre in NFA as at the end of 2002; and
- (c) EOC had succeeded in obtaining a break clause in the new lease. This break clause will be exercisable by EOC, after 18 months from commencement of the new lease, by their serving on the landlord an advanced notice of not less than 6 months. This arrangement will provide flexibility for EOC to revisit the proposal for purchasing office accommodation if circumstances allow.

5. EOC's rental payment for its existing office (1 150 square metres in NFA) was about \$3.83 million per annum. Under the negotiated package, EOC is able to renew its existing lease and secure the additional lease (totalling 1 610 square metres in NFA) at around \$3.56 million per annum. This means that EOC would be able to lease more space to meet its operational needs without increasing its recurrent rental expenditure.

6. In view of the above, EOC informed the Administration that it would not pursue the purchase proposal in the near term. EOC will absorb the fitting out cost of the additional premises and the recurrent expenditure of both the current and the additional leased office from its subvention.