

ITEM FOR FINANCE COMMITTEE

HEAD 703 – BUILDINGS

Quarters – Internal security

50JA – Purchase of surplus Home Ownership Scheme flats for reprovisioning departmental quarters for the disciplined services

Members are invited to approve the upgrading of **50JA** to Category A at an estimated cost of \$3,005.4 million in money-of-the-day prices for the purchase of 4 304 surplus Home Ownership Scheme flats and 538 ancillary carparking spaces from the Housing Authority for reprovisioning flats in 15 existing departmental quarters sites for the disciplined services.

PROPOSAL

We propose to upgrade **50JA** to Category A at an estimated cost of \$3,005.4 million in money-of-the-day prices for the purchase of 4 304 surplus Home Ownership Scheme (HOS) flats and 538 ancillary carparking spaces from the Housing Authority for reprovisioning flats in 15 existing departmental quarters sites for the disciplined services. We have modified the arrangements set out in PWSC(2004-05)36 (Enclosure 1) along the lines set out in paragraph 2 below.

Encl. 1

BACKGROUND INFORMATION

2. At the Public Works Subcommittee (PWSC) meeting on 23 June 2004, Members endorsed the proposal in PWSC(2004-05)36. At the meeting, Members requested the Administration to, among other things, confirm the extent of flexibility of the schedule for the decantation of the premises on the 15 existing departmental quarters sites. The Security Bureau, in consultation with the departments concerned, has subsequently agreed to extend the target date for completion of decantation from early 2006 (as originally proposed in paragraph 4 of

/the

the PWSC paper at Enclosure 1) to June 2006. This will allow the staff residing in the premises on the 15 departmental quarters sites more time to apply for new quarters in the four HOS developments or existing quarters at other locations, and to make arrangements for removal.

3. In considering the paper referenced PWSC(2004-05)36 on **50JA** at the Finance Committee (FC) meeting on 2 July 2004, Members requested the Administration to advise on –

- (a) the allocation criteria for departmental quarters;
- (b) the number and locations of departmental quarters, excluding those on the 15 existing departmental quarters sites, which are over 40 years of age; and
- (c) whether there is a pressing need for clearing the premises on the 15 existing departmental quarters sites.

4. At the same FC meeting, Members noted that a case conference on the petition by some representatives of residents' associations of Police quarters affected by the proposal would be held on 16 July. Members would like to have more time to consider and study the case. It was therefore proposed that the Administration withdraw the proposal and re-submit it to FC after the case conference. Consequently, the Administration withdrew the proposal.

CONSIDERATION OF POINTS MADE BY FC ON 2 JULY 2004

Allocation criteria of the HOS flats

5. The HOS flats proposed to be used for reprovisioning departmental quarters will be allocated to the four disciplined services departments (namely, the Hong Kong Police Force, the Fire Services Department, the Customs and Excise Department and the Immigration Department) surrendering existing quarters on a *pro rata* basis by reference to the number of quarters to be surrendered by each of the departments. Each department will then allocate quarters to its staff. Occupants of the premises on the 15 departmental quarters sites who wish to move to the new quarters in the four HOS developments will have priority in applying for these new quarters. After meeting the requirement of occupants affected by the reprovisioning, the remaining HOS flats will be open to application by all other eligible staff. These remaining HOS flats will be allocated to applicants through the normal points system used in quarters allocation, where staff's quartering points are calculated based on a set of criteria, among which include rank, salary, seniority and family conditions.

6. Those occupants of the premises on the 15 departmental quarters sites who opt not to move to the HOS flats may apply for other existing quarters. For quarters allocation purpose, they will be granted additional points with immediate effect so that under the proposed decantation schedule, they will have around two years to select and apply for other vacant quarters and arrange for the removal. Affected staff can apply for quarters all over Hong Kong via the normal quarters allocation exercises. Many more existing quarters will be available in the next two years as some units are expected to be vacated by staff moving to the HOS flats.

Other departmental quarters over 40 years of age

Encl. 2

7. A list of the departmental quarters (excluding those on the 15 existing departmental quarters sites) which are over 40 years of age is at Enclosure 2. The reasons for not selecting them for reprovisioning are also listed.

Pressing need for site clearance

8. If the empty and idle premises on the 15 existing departmental quarters sites are not demolished early, basic recurrent cost for security and maintenance services will still continue to be incurred. If left idle and without maintenance, these structures will deteriorate rapidly, become unsightly, and cause visual impact, hygiene and security problems to the locality. Early demolition can avoid these problems and the recurrent expenditure associated with the vacated premises.

9. Having regard to the foregoing considerations, we consider it necessary to purchase the HOS flats and the ancillary carparking spaces for reprovisioning flats in the 15 existing departmental quarters sites for the disciplined services.

Security Bureau
July 2004

For discussion
on 23 June 2004

PWSC(2004-05)36

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 703 – BUILDINGS

Quarters – Internal security

50JA – Purchase of surplus Home Ownership Scheme flats for reprovisioning departmental quarters for the disciplined services

Members are invited to recommend to Finance Committee the upgrading of **50JA** to Category A at an estimated cost of \$3,005.4 million in money-of-the-day prices for the purchase of 4 304 surplus Home Ownership Scheme flats and 538 ancillary carparking spaces from the Housing Authority for reprovisioning flats in 15 existing departmental quarters sites for the disciplined services.

PROBLEM

There are about 10 000 idling surplus Home Ownership Scheme (HOS) flats which need to be put to beneficial use. We need to make good use of the surplus HOS flats by converting some of them into disciplined grade departmental quarters for reprovisioning purpose.

PROPOSAL

2. The Director of Architectural Services (D Arch S), with the support of the Secretary for Security, proposes to upgrade **50JA** to Category A at an estimated cost of \$3,005.4 million in money-of-the-day (MOD) prices for the purchase of 4 304 surplus HOS flats and 538 ancillary carparking spaces from the Housing Authority (HA) for reprovisioning flats in 15 existing departmental quarters sites for the disciplined services.

/PROJECT

PROJECT SCOPE AND NATURE

3. The scope of **50JA** comprises –

- (a) the purchase of 4 304 surplus HOS flats and 538 ancillary carparking spaces from HA for reprovisioning flats in 15 existing departmental quarters sites for the disciplined services. Details of these HOS flats and the existing departmental quarters are at Enclosure 1. Layout plans of the HOS flats are at Enclosure 2;
- (b) fitting out works¹ for the HOS flats mentioned in (a) above to bring them in line with the normal standards for departmental quarters; and
- (c) demolition of the premises on the 15 existing departmental quarters sites mentioned in (a) above to clear the sites for alternative uses.

4. We plan to start the fitting out works by end 2004 for completion in mid-2005. We estimate that the decantation of the existing 15 departmental quarters sites will be completed by early 2006, with the first batch of staff start up to move into the reprovisioned HOS flats in the second quarter of 2005, following completion of the first-phase fitting out works.

JUSTIFICATION

5. As a result of cessation of the HOS to stabilise the property market, there are some 10 000 surplus HOS flats which need to be put to alternative market-friendly uses. One possible beneficial use is to convert some of the flats into departmental quarters for the disciplined services for reprovisioning purpose. A total of 4 478 old or substandard flats in 15 existing departmental quarters sites has been identified for reprovisioning through conversion of surplus HOS flats in four developments.

6. Of the 4 478 flats, 4 293 flats for the disciplined services will be reprovisioned on a one-to-one basis. The remaining 185 flats are held by non-disciplined services departments for operational reason, and only require three replacement departmental quarters units. They will be dealt with separately by the

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¹ Timber flooring and associated skirting, window grille, curtain rail and exhaust fan in toilet and kitchen will be provided to the flats to bring them in line with the normal standards for departmental quarters.

Government Property Agency outside the scope of this reprovisioning exercise. To meet the reprovisioning requirement of the 4 293 flats, four HOS developments comprising 4 304 surplus HOS flats have been identified as suitable for the purpose. The balance of 11 HOS flats will facilitate the deleasing of the same number of leased-in private flats used as departmental quarters for the disciplined services in order to reduce rental expenditure. As regards the carparking spaces, one space is provided for every eight flats as recommended in the Hong Kong Planning Standards and Guidelines. The 4 304 HOS flats are therefore provided with 538 carparking spaces, which we propose to purchase together with the flats.

7. The proposed reprovisioning arrangement will make beneficial use of otherwise idling surplus HOS flats. The original sites for departmental quarters can then be released for alternative uses such as sale for private residential development.

FINANCIAL IMPLICATIONS

8. We estimate the capital cost of the acquisition and reprovisioning proposal to be \$3,005.4 million in MOD prices, made up as follows –

	\$ million
(a) Purchase of 4 304 surplus HOS flats and 538 ancillary carparking spaces	2,750.0
(b) Demolition of premises on the 15 existing departmental quarters sites	79.0
(c) Fitting out works for the reprovisioned departmental quarters	129.0
(d) Consultants' fees for environmental consultancy	0.2
(e) Furniture and equipment ²	24.0
(f) Contingencies	23.2
Total	3,005.4

/D Arch S

² Departmental quarters are supplied with domestic appliances appropriate to the grade of individual quarters such as cooker, refrigerator, pedestal fan, portable electric heater and water heater. The actual new domestic appliance required will be subject to a survey on the serviceability of the existing furniture and equipment.

D Arch S proposes to engage consultants to undertake environmental review for the demolition works of the project. A detailed breakdown of the estimate for the consultants' fees by man-months is at Enclosure 3.

9. The proposed purchase price of \$2,750 million in MOD prices represents the full development cost of the 4 304 HOS flats and 538 ancillary carparking spaces, comprising the actual and estimated construction and project supervision expenses incurred by HA and subject to the finalisation of the project accounts. Having regard to the Government's commitment to restore its fiscal balance by 2008-09 and HA's cashflow position from now until 2007-08, the Government will pay the purchase price of \$2,750 million in MOD prices to HA in ten annual instalments, that is, \$150 million in MOD prices per year in the first five years from 2004-05 to 2008-09 and then \$400 million in MOD prices per year in the following five years from 2009-10 to 2013-14.

10. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
2004 – 05	189.1
2005 – 06	263.6
2006 – 07	233.0
2007 – 08	166.8
2008 – 09	152.9
2009 – 10	400.0
2010 – 11	400.0
2011 – 12	400.0
2012 – 13	400.0
2013 – 14	400.0
Total	3,005.4

11. We will deliver the fitting out and demolition works through fixed-price lump-sum contracts because the contract periods will be less than 21 months and we can clearly define the scope of works in advance, leaving little room for uncertainty. The demolition cost represents a preliminary estimate before detailed site investigation. We would review the requirement in the light of specific site details as well as the results of the environmental review and may seek supplementary provision for the works if necessary.

12. Apart from the above, the Government will set aside from the General Revenue Account \$24 million for payment of a one-off removal allowance to the staff concerned for moving from their existing quarters to another in accordance with the Civil Service Regulations and \$64 million for the additional management and maintenance costs incurred at both the existing departmental quarters and the HOS flats during the fitting out and decantation period, estimated to be about one year and four months. We will work out the cashflow requirements of the removal allowance and management and maintenance costs and seek supplementary provision from the relevant heads of expenditure in 2004-05 as appropriate.

13. Once vacated, the existing departmental quarters sites will become available for alternative uses such as sale for private residential development. The broad-brush estimated land value of the 15 departmental quarters sites was assessed in March 2004 at about \$6,320 million on the basis of various assumptions including cleared sites, planning consent and sale for residential development. However, it should be noted that the receipt of such sales revenue is dependent upon factors such as the final decision on the land use of these sites and the operation of land sales through the Application List system which is market-driven and not possible to control and predict.

14. On the recurrent side, the 4 304 HOS flats will require management and maintenance at a cost of \$42.6 million per annum. Such cost can be offset fully by the cost savings of \$43.2 million in managing and maintaining flats in the 15 existing departmental quarters sites.

PUBLIC CONSULTATION

15. The Secretary for Housing, Planning and Lands consulted the Legislative Council Panel on Housing in March and November 2003 on the proposed disposal options for surplus HOS flats. The Panel was in principle supportive of the proposal. On 19 May 2004, HA endorsed the proposed sale of the flats to the Government at their development cost, subject to funding approval of

50JA by the Finance Committee. The funding proposal with implementation details as enshrined in this paper was considered and endorsed by the Panel on Housing on 7 June 2004.

16. We have also carried out preliminary consultation with the disciplined services staff associations and received favourable feedback. We will conduct further staff consultation on the implementation details, such as the method of allocation of the new departmental quarters, and the time-table for removals from the old or substandard departmental quarters.

ENVIRONMENTAL IMPLICATIONS

17. The proposed purchase of HOS flats from HA in itself does not have environmental implication. Upon acquisition of these flats, we will carry out necessary fitting out works to convert the flats to departmental quarters. These works are small in scale and will have little significant or long-term environmental impacts.

18. To ameliorate the short-term environmental impacts arising from fitting out works and demolition, we have included in the project estimate the cost of implementing suitable mitigation measures to control such impacts, including the use of silencers, mufflers, acoustic lining or shields for noisy construction and demolition activities, frequent cleaning and watering of the sites, and the provision of wheel-washing facilities. We will use suitable excavated materials for filling within the site to minimise off-site disposal. In addition, we will require the contractor to use metal site hoardings and signboards so that these materials can be recycled or reused in other projects.

19. We will require the contractor to submit a waste management plan (WMP) for approval. The WMP will include appropriate mitigation measures to avoid, reduce, reuse and recycle construction and demolition (C&D) materials. We will ensure that the day-to-day operations on site comply with the approved WMP including sequential demolition to facilitate recovering as much as possible reusable and recyclable materials. We will control the disposal of public fill and C&D waste to designated public filling facilities, recycling facilities and landfills respectively through a trip-ticket system. We will require the contractor to separate public fill from C&D waste for disposal at appropriate facilities. We will record the disposal, reuse and recycling of C&D materials for monitoring purposes. We estimate that the project will generate about 245 000 cubic metres (m³) of C&D materials. Of these, we will reuse about 5 000 m³ (2%) on site, 145 000 m³ (59.2%)

as fill in public filling areas³, recycle 83 000 m³ (33.9%) at recycling facilities, and dispose of 12 000 m³ (4.9%) at landfills. The notional cost of accommodating C&D waste at landfill sites is estimated to be \$1.5 million for this project (based on a notional unit cost⁴ of \$125/m³).

LAND ACQUISITION

20. The project does not require land acquisition.

BACKGROUND

21. As a follow-up action to its decision to cease the sale of surplus HOS flats in November 2002, HA endorsed the proposed sale of HOS flats to the Government on 19 May 2004 for conversion to departmental quarters for reprovisioning purpose. We upgraded the project to Category B in June 2004.

22. The proposed purchase of HOS flats will not involve any tree removal or planting proposals.

23. We estimate that the proposed works will create about 485 jobs (450 for labourers and another 35 for professional/technical staff) providing a total employment of 5 800 man-months.

Security Bureau
June 2004

³ A public filling area is a designated part of a development project that accepts public fill for reclamation purposes. Disposal of public fill in a public filling area requires a licence issued by the Director of Civil Engineering.

⁴ This estimate has taken into account the cost for developing, operating and restoring the landfills after they are filled and the aftercare required. It does not include the land opportunity cost for existing landfill sites (which is estimated at \$90/m³), nor the cost to provide new landfills (which are likely to be more expensive) when the existing ones are filled. The notional cost estimate is for reference only and does not form part of this project estimate.

**Sites and Projects Identified for
Proposed Reprovisioning of Old or Substandard Departmental Quarters
with Surplus Home Ownership Scheme Flats**

A. Old or substandard departmental quarters sites identified for reprovisioning

Departmental quarters		Year built	No. of flats	
			Disciplined services	Non-disciplined services
Hong Kong Island	Tanner Road Police Married Quarters	1963	669	Nil
	Wanchai Police Married Quarters	1956	40	
	Western Police Station Married Quarters – Rank and File	1955	104	
Kowloon	Fat Kwong Street Fire Services Married Quarters	1963	69	
	Homantin Police Married Quarters	1979	470	
	Hung Hom Customs & Excise Married Quarters, Nos. 5-23 Lee Kung Street	1960	60	
	Hung Hom Ko Shan Road Customs & Excise Married Quarters	1972	229	
New Territories	Kwai Chung Police Married Quarters	1978	819	
	Sha Tin Fire Services Rank & File Quarters	1979	600	
	Sha Tin Police Married Quarters	1979	380	
	Tai Lam Chung Police Married Quarters	1965	63	
	Tsuen Wan Fire Services Rank & File Married Quarters	1979	380	
	Tuen Mun Fire Services Rank and File Quarters	1989	160	
	Au Tau Departmental Quarters	1968	205	139
	Tai Po Junior Departmental Quarters	1960	45	46
Total no. of flats in 15 departmental quarters sites			4 293	185
Total reprovisioning requirement			4 293	0

B. Surplus Home Ownership Scheme flats identified for conversion to departmental quarters for reprovisioning purpose

Home Ownership Scheme developments		No. of flats	No. of carparking spaces	Development cost (\$ million)
Kowloon	Yau Mei Court	1 992	249	1,223
	Ko Cheung Court	1 000	125	754
New Territories	Kwai Chung Phase 7	800	100	374
	Kwai Yung Court	512	64	399
Total		4 304	538	2,750

50JA – Purchase of surplus Home Ownership Scheme flats for reprovisioning departmental quarters for the disciplined services

Breakdown of the estimate for consultants' fees

Consultants' staff costs		Estimated man- months	Average MPS* salary point	Multiplier (Note 1)	Estimated fee \$ million (Sept 2003)
Environmental	Professional	0.9	38	2.0	0.1
consultancy ^(Note 2)	Technical	2.7	14	2.0	0.1
				Total	0.2

* MPS = Master Pay Scale

Notes

1. A multiplier of 2 is applied to the average MPS point to estimate the full staff costs including the consultants' overheads and profit, as the staff for environmental consultancy will be employed in the consultants' offices. (As at 1 January 2004, MPS point 38 = \$55,993 per month and MPS point 14 = \$18,603 per month.)
2. The consultants' staff costs for environmental consultancy is based on the estimate prepared by the Director of Architectural Services. We will only know the actual man-months and actual costs after the completion of the demolition works.

Departmental Quarters Over 40 Years of Age
(excluding those on the 15 existing departmental quarters sites)

Departmental quarters	Year built	No. of flats	Reason for not being selected for reprovisioning
Castle Peak Government Quarters (previously quarters for staff of Castle Peak Hospital)	1960	58	Standard is better than that on the 15 other departmental quarters sites in overall terms. Bedrooms have solid partitions, for instance.
New Territories Depot (Fan Garden)	1956	100	These are higher grading departmental quarters which do not match the grading of the HOS flats.
Stanley Prison Junior Staff Married Quarters	1936	185	Located within the prison area.
Stanley Prison Officer Married Quarters	1936	11	Located within the prison area.
Tai Lam Correctional Institution Officers Married Quarters	1962	15	Located within the institution's area.
Tai Lam Correctional Institution Single Officers Quarters	1962	12	Located within the institution's area.
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	Total	381	
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