

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

/Government

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 de-leasing 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	<u>3,005.4</u>
	/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

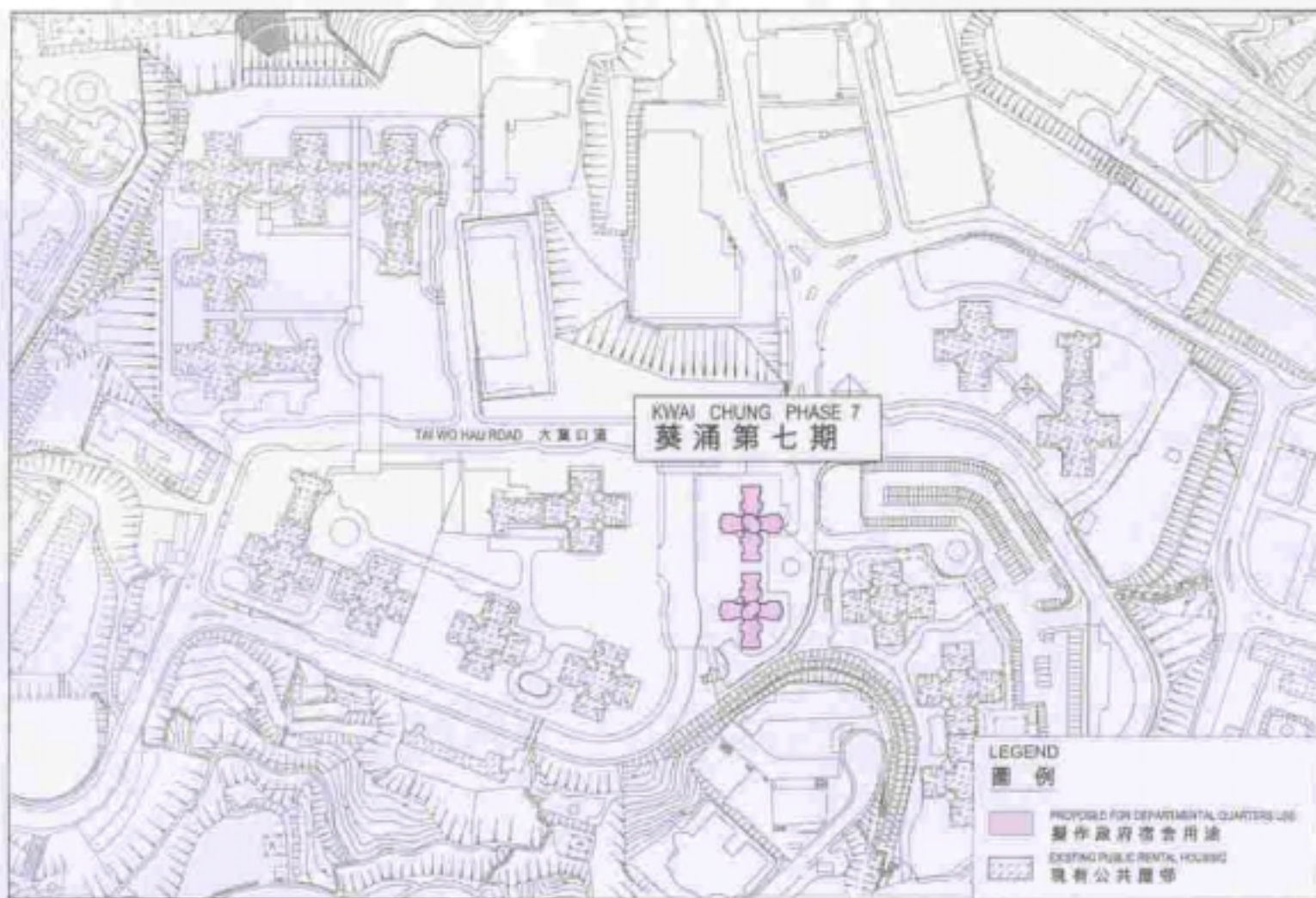
Home Ownership Scheme developments		No. of flats	No. of carparking spaces	Development cost (\$ million)
Kowloon	Yau Mei Court	1 992	249	1,223
	Ko Cheung Court	1 000	125	754
New Territories	Kwai Chung Phase 7	800	100	374
	Kwai Yung Court	512	64	399
Total		4 304	538	2,750

50/4 - PURCHASE OF SURPLUS HOME OWNERSHIP SCHEME FLATS FOR RENOVATING DEPARTMENTAL QUARTERS FOR THE DISCIPLINED SERVICES
 購買區內有關計劃剩餘單位以重置紀律部隊部門宿舍



ENCLOSURE 2 附件 2

LOCATION OF YAU MEI COURT AND KO CHEUNG COURT
 油美苑和高翔苑位置圖



LOCATION OF KWAI CHUNG PHASE 7
葵涌第七期位置圖



LOCATION OF KWAI YUNG COURT
葵蓉苑位置圖

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Breakdown of the estimate for consultants' fees

Consultants' staff costs		Estimated man-months	Average MPS* salary point	Multiplier <small>(Note 1)</small>	Estimated fee \$ million (Sept 2003)
Environmental consultancy ^(Note 2)	Professional	0.9	38	2.0	0.1
	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.