



Your Ref. : CB4/PAC/R6
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31 December 2015

Mr Anthony Chu
Clerk, Public Accounts Committee,
Legislative Council Secretariat,
Legislative Council Complex,
Central, Hong Kong

Dear Mr Chu,

Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 65
Use and disposal of vacant school premises

I refer to your letter dated 17 December 2015.

2. At Members' meeting on 15 December 2015, we have provided summary information on the Ex-Free Methodist Mei Lam Primary School, and explained that we had decided not to pursue the option of using the School site for public housing for reasons including the small number of flats that could be produced, relative to the complexities in securing the agreement of the other owners under the Lease and in arranging for access to the School site. We also acknowledged that in hindsight, although it was a relatively small site we should have tried harder to come to a firm decision earlier on whether or not we could use the site for public housing. Pursuant to the Chairman's requirement we have been preparing further information for Members' reference. The following organizes such information along the line of the four questions in your letter under reference.

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(a) Details of the VSP which was not being used, including the name of the school, size, location and physical conditions of the premises;

3. The School was built to the prevailing standard for a 24-class primary school, and occupies a site of around 0.48 hectare. It is situated in a Public Rental Housing (PRH) estate, Mei Lam Estate, Sha Tin. A map of the School and the Estate is at **Annex A**.

4. Mei Lam Estate is a comprehensive public housing development completed in 1981, comprising four domestic blocks providing 4 100 units, a shopping centre cum carpark block, other ancillary retail, carparking and welfare facilities, an indoor recreation centre, five schools and a public transport terminus. Apart from the School, there are four other schools within the estate. The five schools, the indoor recreation centre and the public transport terminus are Government Accommodation. The retail and carparking facilities in the estate were divested to the then The LINK in 2005. The four domestic blocks are owned by the Housing Authority (HA). The owners jointly share the Estate Common Areas and Facilities, which include open area, playground, loading and unloading facilities and estate road serving individual buildings and facilities within the estate and providing access to the public road, Mei Tin Road.

5. Arising from the divestment in 2005, the estate is covered by a Government Lease. The Lease specifies various restrictions on use and development, including specifically that Government, Institution and Community facilities comprising five schools having a total gross floor area of 37015 square metres should be provided within the estate. In addition to the Government Lease, there is a Deed of Mutual Covenant (DMC) setting out the rights and obligations of owners, occupiers and property manager in respect of the use, maintenance and management of their properties as well as the area/properties co-owned by all owners in the estate.

6. Changes to the use of buildings and estate common areas in ways other than stipulated in the Lease and the DMC require the consent of other owners, and the approval by the Government for changes of use and gross floor area under the Lease.

***Note by Clerk, PAC: Annex A not attached.**

(b) Reasons for not allocating the VSP for any use; and

(d) A timeline with actions taken by HD in the past 4.6 years in assessing and considering how the VSP could be put into optimal use, including copy of correspondence with relevant government departments

7. While the School site has ceased to be used as a school for 4.6 years, it was only allocated to the Housing Department (HD) by the central allocation mechanism for consideration of use for public housing in May 2012. There had been various lines of study exploring how best to use the School's site, including –

- (a) in the context of HA's policy for redevelopment of PRH estates;
- (b) in the context of redevelopment of PRH blocks or other premises in lots involving multiple ownership;
- (c) studies specific to the School site.

Since these lines of study took place in parallel and intertwined with each other, it is difficult to present a single time-line, and it might be less confusing if we first give an account of (a) and (b) above, before focusing on (c).

8. On (a), what should be HA's general approach to the redevelopment of PRH estates had had a bearing on deliberation on options for using the School site for public housing. In November 2011 HA's Strategic Planning Committee discussed redevelopment of aged PRH estates. The meeting established a refined redevelopment policy under which HA is to consider each redevelopment proposal by reference to a set of criteria. The School site was mentioned as an example.

9. Since then, in the context of the formulation of the Long Term Housing Strategy(LTHS), redevelopment of PRH estates featured in various public discussions, including discussions in the Panel on Housing's Sub-committee on the LTHS. Director of Audit's Report No. 62 and the Committee's Report on the Director's Report also touched on the subject. The Subcommittee's Report and PAC Report No. 62 were published in July 2014.

10. Taking into account these discussions, the government's LTHS promulgated in December 2014 sets out a strategy for the redevelopment of PRH estates. An extract is at **Annex B**. In gist, considering that while redevelopment may increase PRH supply over the long term it will in the short term reduce PRH stock, LTHS stipulates that HA will only consider redevelopment on an

***Note by Clerk, PAC: Annex B not attached.**

estate-by-estate basis.

11. On (b), redevelopment of a land lot in whole or in part is generally more complex, involving more time, costs, and uncertainty, when there is multiple ownership. The School site is one of such cases, because under the lease HA and Link REIT are co-owners, and redevelopment of individual buildings or comprehensive redevelopment would require the consent of all parties, and the government's approval of modifications to the Lease. During the period there had been discussions involving government departments and Link REIT, in which various options had been raised, which in the case of the School site include –

- (a) modifications to the Lease by consent of all owners, in ways that are required for redevelopment of the School site and the associated use of common areas including the estate road, or for more comprehensive redevelopment involving further portions of the lot;
- (b) HA and Link REIT surrender to the government portions of the lot including the School site, free of encumbrances and costs, and the portions are then granted to the HA by way of vesting order for PRH development;
- (c) resumption by government of the School site or further portions of the lot.

12. Whether there is a feasible way forward to resolve such issues had had a bearing on deliberation on options for using the School site, because compared to the relatively small size of the School site and therefore limited yield, we would need to consider the priority for pursuing such options if the way forward involves disproportionate time, costs and uncertainty. After mid 2015 we concluded that in the current circumstances we should not give priority to the options in (a) to (c) above.

13. In parallel with studies and discussions on the above two general questions, we conducted studies and discussions specific to the site, of which the key developments are summarized below.

14. In May 2012, the Education Bureau (EDB) confirmed that the School premises was no longer required by EDB for re-allocation for educational uses and was returned under the central clearing house mechanism reallocation. EDB's memo

dated 10 May 2012 at **Annex C** is relevant, which encloses various lists, one of which mentions the School for central reallocation.

15. In January 2013 the Sha Tin District Management Committee discussed the use of the School site. Minutes of the meeting are at **Annex D**. In July 2013, HD prepared the model planning brief for using the School's site at **Annex E**. This was a draft of a planning brief outlining an option for using the School site, and identifying areas requiring further work and input. Among other things, it was noted that due to the limited site area of about 0.48 hectare with about 500 PRH flat production, the supporting facilities such as educational, recreational, public transport facilities etc., would have to be catered for the adjacent provisions while the right-of-way issue for vehicular/pedestrian access to the proposed housing block needed to be resolved. Subsequently, HD prepared revised model planning brief and information on existing facilities in Mei Lam Estate. The revised model planning brief and the information sheet on existing facilities are at **Annex F**. It continued to note areas requiring further studies.

16. In December 2014, the government promulgated the government's Long Term Housing Strategy. Finally, in October 2015, HD formally informed the relevant departments to consider alternative use of the School site. In November 2015, EDB indicated the intention to re-use the School site for educational purpose.

17. As noted above, the studies and discussions on the two general questions above had affected how much resources and priority we had given to push forward with technical studies and discussions on options for using the School site for public housing, because the determination of the two general questions would fundamentally affect designs for the project. Notably, in the past few months in 2015, we have had detailed discussions to establish among relevant departments the circumstances and ways in which we can use resumption to pursue redevelopment in whole or in part in cases of multiple ownership, for reference for the case of the School site and future cases. While such discussions have not changed our stance on the School site, they are useful for future cases.

18. As we have said at Members' meeting on 15 December, looking back we agree with the Director of Audit that we should have worked harder to come to a firm view as early as possible on whether or not we could use the site for public housing.

***Note by Clerk, PAC: Annexes C to F not attached.**

(c) Total cost incurred on the maintenance and management of the VSP

19. The School site has all along been locked up and HA's property management agency keeps surveillance on it by daily patrol at the surrounding area. Repair and maintenance is arranged on need basis which is mainly related to safety concern. As the School is generally in an acceptable physical condition, the recurrent maintenance cost for the past few years are solely for the annual inspection fee on the Fire Service Installations which is around \$4,500 per year.

Yours sincerely,



(Mr Theron CHAN)
for Director of Housing

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Director of Lands	(Fax : 2152 0450)
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