

# THE HONG KONG HOUSING AUTHORITY

## Memorandum for the Commercial Properties Committee

### Improvement of Shan King Shopping Centre

#### PURPOSE

To inform Members of the improvement proposals for Shan King Shopping Centre.

#### BACKGROUND

2. Shan King Shopping Centre has been programmed for improvement under the five-year rolling improvement programme (Paper No. CPC 55/98). Improvement proposals were endorsed by the Department's Shopping Centre Improvement Committee in June 1999.

#### SHAN KING SHOPPING CENTRE

3. Shan King Shopping Centre is a large neighbourhood centre (Type C) of 8,187m<sup>2</sup> IFA completed in two phases in 1983 and 1986. It serves primarily 30,000 residents of Shan King Estate. Location and estate layout plans are at **Annex A**.

4. Over 95% of Shan King Estate's population are below the age of 60. This household characteristic indicates a relatively high purchasing power. Although the shopping centre catchment area is mainly confined to the estate, some patronage is attracted from the neighbouring industrial area where retail facilities are very limited.

5. Design and finishes of the Centre are old fashioned and part of the Centre lacks a sprinkler system. The commercial premises are too scattered to provide an efficient layout. The strategic location at the Centre entrance facing the Light Rail Transit (LRT) station is blocked by an existing Refuse Collection Point (RCP) and Junk Collection Point (JCP). Improvements to the Centre are considered necessary to sustain the Centre's competitiveness with the private sector. It is also necessary to upgrade the Centre in order to meet the latest fire safety requirements.

## IMPROVEMENT PROPOSALS

### Objectives

6. The main objectives of the improvements are : -

- (a) to create a focal point by opening up the Centre entrance facing the LRT station;
- (b) to add retail space (of about 677m<sup>2</sup> net) and to introduce anchor tenants at new locations as follows –

i)	New Hamburger Restaurant	320m <sup>2</sup>
ii)	New Retail at Estate entrance	190m <sup>2</sup>
iii)	Conversion of existing staircase into new retail	205m <sup>2</sup>
iv)	New Ice-Cream shop	<u>20m<sup>2</sup></u>
		735m <sup>2</sup>
	Less: : Conversion of existing retail space of Shop No. 112 into passageway	<u>58m<sup>2</sup></u>
	Total retail space added :	<u><u>677m<sup>2</sup></u></u>

- (c) to upgrade finishes and improve accessibility by escalator at Phase II.

## **Detailed Proposals**

7. The improvement proposals are summarized below –

### Phase II Commercial Centre

- (a) opening up the Centre entrance facing the LRT station and construction of a new covered walkway linking with the Centre proper;
- (b) conversion of existing RCP and JCP at Estate entrance into a new Hamburger Restaurant (320m<sup>2</sup>) and a new shop (190m<sup>2</sup>);
- (c) demolition of fountain & rest area to make way for construction of new transformer room, switch room, new RCP/JCP and rest area;
- (d) installation of new escalator with polycarbonate cover;
- (e) upgrading of floor tile, false ceiling & lighting at G/F level;
- (f) remodeling shop premises at Units 110 & 111 and conversion of Unit 112 (58m<sup>2</sup>) as passageway;
- (g) construction of an Ice-Cream shop (20m<sup>2</sup>) adjacent to Shop 205;
- (h) demolition of existing staircase and decking up the void above & construction of a new staircase beside the loading and unloading bay; and
- (i) conversion of the demolished staircase into retail space (205m<sup>2</sup>) subject to positive marketing response.

### Market

- (a) enlargement and modification of the market entrance;
- (b) installation of weather protection to the light well / void area at roof of market;
- (c) Provision of new canopy for the bridge linking phase I & phase II market; and

- (d) upgrading of lighting, F.S. sprinkler and ventilation (ceiling fan).

#### Other

- (a) re-painting of wall and ceiling of market and commercial centre;
- (b) construction of two other new RCPs and JCPs at different location;
- (c) construction of two new toilets for Cooked Food Stalls;
- (d) overall external renovation by cleansing and painting;
- (e) lighting improvement to remaining area; and
- (f) overall signage improvement.

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Design drawings are at **Annex B**.

#### **Other Considerations**

8. Provision of air-conditioning was considered but rejected as the current dispersed layout would imply very high costs, and the current facilities are of open design which facilitates natural ventilation.

#### **IMPLEMENTATION/PROGRAMME**

9. Building works will be carried out by Lump Sum Contract (LSC) in line with the Department's policy for work procurement. Building services works will be arranged through nominated sub-contract under the main LSC.

10. The project will take about 18 months to complete. Site works are expected to start in February 2000 and completed in July 2001. A tentative works programme is at **Annex C**.

#### **FINANCIAL IMPLICATIONS**

11. The estimated project cost at 1999/2000 price level is \$22.27M.

12. A sensitivity analysis of IRR on rental growth is at **Annex D**. Excluding the costs of \$6.92M attributable to maintenance works, the improvement scheme is expected to generate a 9% internal rate of return (IRR) with a payback period of 12 years.

13. Annual income generated from Shan King commercial facilities is projected at \$12.68M in 1999/2000, expected to rise to \$14.2M in 2000/2001. The improvement scheme will promote competitiveness of the centre and enhance future income growth. It is estimated that a total income of \$17.56M will be achieved on project completion in 2001/2002, including income generated from new retail space estimated at \$2.41M.

## **FUNDING**

14. Funds has been reserved in the budgets 1999/2000 - 2001/2002 under Housing Capital Works Fund.

## **CONSULTATION**

15. Briefing to affected tenants and local representatives arranged by estate staff indicated general acceptance of the improvement scheme. Supplementary briefings will be arranged by the estate staff throughout the implementation of the scheme.

## **INFORMATION**

16. This paper is issued for Member' s information.

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