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# THE HONG KONG HOUSING AUTHORITY

## Memorandum for the Commercial Properties Committee

### Improvement of Wan Tau Tong Shopping Centre, Tai Po

#### PURPOSE

To inform Members of the improvement proposals for Wan Tau Tong Shopping Centre.

#### BACKGROUND

2. Wan Tau Tong Shopping Centre has been identified for action under the five-year rolling improvement programme. Proposals were vetted and endorsed by the Department's Shopping Centre Improvement Committee in June 1999.

#### WAN TAU TONG SHOPPING CENTRE

3. Wan Tau Tong Shopping Centre is a small neighbourhood centre (Type D) built in 1991 with 4281.3m<sup>2</sup> IFA retail space, serving about 20,000 residents of Wan Tau Tong Estate, King Nga Court, Tak Nga Court and Yat Nga Court. Location Plan and Estate Layout Plan are at **Annex A**.

4. The estate is located near the Tai Po Market KCR Station. The Centre lacks anchor tenants, and faces great competition from the neighbouring Uptown Plaza Shopping Centre atop the KCR station. The market serves as a 'magnet' to the centre since there is no market provision in the vicinity. However, the temperature inside the shopping centre and the market is adversely affected by solar energy through the skylight. Improvement of ventilation, enhancement of the visibility and general improvement of finishes are considered necessary to help the shopping centre compete successfully.

## IMPROVEMENT PROPOSALS

5. The proposed improvement scheme aims at enhancing business potential of the centre through provision of central air-conditioning (A/C) to the market, creation of new retail space, addressing the green house effect brought about by the skylight of the centre, and enhancing the visibility of the centre. Provision of central A/C to the shopping centre is not considered cost-effective given the large areas of circulation space and small number of shops.

6. The proposed improvements are summarized below -

- (a) construction of two new shops providing 290m<sup>2</sup> additional retail space;
- (b) provision of central A/C to the market;
- (c) installation of device underneath the skylight of the centre to address the greenhouse effect;
- (d) replacement of false ceiling, patch repair and feature pattern for floor tiles;
- (e) renovation of two main entrances and installation of large signage;
- (f) improvement of internal/external signage/directories;
- (g) improvement of lighting including replacement of metal clad bulkhead;
- (h) modification of louve-type windows of the centre to improve cross ventilation; and
- (i) works to meet the requirements of the Fire Safety (Commercial Premises) Ordinance.

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Design drawings are at **Annex B**.

7. Wan Tau Tong was included in Phase 1 of the Tenants Purchase Scheme and a Government lease granted for the estate. As the Gross Floor Area will be increased, an application for modification of the lease is in progress.

## **IMPLEMENTATION/PROGRAMME**

8. Building works will be procured by lump sum contract (LSC) in line with the Department's current strategy. Building services works will be arranged through nominated sub-contract under the main LSC. Site works are scheduled to commence in April 2000 and to last for 10 months for completion in January 2001. A tentative works programme is shown at **Annex C**.

## **FINANCIAL IMPLICATIONS**

9. The estimated project cost is \$14.5 million at 1999/2000 price level, of which \$10.6M is attributable to maintenance works specifically the replacement of building components such as floor/wall/ceiling finishes which are near the end of their serviceability and provision of central A/C to be recouped through A/C charges. The net expenditure of \$3.9M is expected to generate an internal rate of return (IRR) of 19.2% with a payback period of 10 years. A sensitivity analysis of IRR on rental growth is at **Annex D**. This encouraging projection reflects the amount of new commercial space generated by the proposals.

10. Annual income generated from Wan Tau Tong commercial facilities is projected at \$17.21M in 1999/2000. The improvement scheme will promote competitiveness of the centre and enhance future income growth. It is estimated that a total income of \$20.49M could be achieved on project completion in 2001/2002 including income generated from new retail space estimated at \$0.77M.

## **FUNDING**

11. Funds have been reserved in the budget of 2000/2001 under the Housing Capital Works Fund.

## **CONSULTATION**

12. Estate staff have consulted affected tenants and local representatives and received general support for the scheme. Briefings will be maintained by estate staff throughout the implementation.

## **INFORMATION**

13. This paper is issued for Members' information.

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