

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Commercial Properties Committee

Improvement of Wah Ming Shopping Centre

PURPOSE

To inform Members of the improvement proposals for Wah Ming Shopping Centre.

BACKGROUND

2. Wah Ming 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 August 2000.

WAH MING SHOPPING CENTRE

3. Wah Ming Shopping Centre is a small neighbourhood centre (Type D) built in 1990 with 4,347 m² IFA retail space, serving primarily 26,400 residents of Wah Ming Estate and Yan Shing Court in Fanling. Estate Layout Plan is at ----- **Annex A.**

4. The estate is located near the Fanling KCR Station and faces very keen competition from the neighbouring Flora Plaza Shopping Centre. As a result the Centre has a limited local catchment. The market serves as a 'magnet' to the Centre and attracts local and outside patronage. However, in lapse of time, the Centre is dilapidated with worn-out facilities and further tarnished with unsightly appearance of dirty roofing tiles. General improvement of the Centre, enhancement of the visibility and upgrading of shopping centre finishes and facilities are considered necessary to sustain the competitiveness of the centre as well as to meet the rising expectation of shoppers.

IMPROVEMENT PROPOSALS

5. The proposed improvement scheme aims at enhancing business potential of the Centre through renovation of the Centre, creation of 150 m² new retail space, enhancing the visibility of the Centre and provision of general upgrading works. For better cost-effectiveness and minimise disruption to operation of the centre, the opportunity is being taken to incorporate a number of maintenance items for implementation at the same time. Provision of central A/C to the shopping centre and market is considered unnecessary as the natural ventilation is good.

6. Proposed works are summarized below –

- (a) Replacement of false ceiling.
- (b) Replumbing of fresh water pipes.
- (c) Lighting improvement for shopping centre and Loading/Unloading Bay.
- (d) Installation of prominent signage on the external facade and improvement to internal signages and directories.
- (e) Cleaning-up and repair to roofing tiles.
- (f) Replacement and patch repair to damaged floor tiles at G/F & 1/F.
- (g) Replacement of floor tile edges along periphery of the centre.
- (h) Construction of a new fire escape route for the bank for compliance with the new Fire Safety (Commercial Premises) Ordinance.
- (i) Addition of retail space of about 150 m² on the vacating Estate Management Office (EMO).

Design drawings are at **Annex B**.

LEASE RESTRICTIONS

7. Wah Ming was included in Phase 2 of the Tenants Purchase Scheme and a Government Lease has been granted for the estate. The additional retail space created by conversion of the EMO was anticipated and included in the area of permitted commercial facilities under the Lease.

IMPLEMENTATION PROGRAMME

8. Building works will be procured by Lump Sum Contract (LSC) in line with the Department's current policy. Building services works will be arranged through nominated sub-contract under the main LSC.

9. Site works are tentatively scheduled to commence in November 2001 and last for about 12 months with completion expected in October 2002. A tentative works programme is shown at **Annex C**.

FINANCIAL IMPLICATIONS

10. The estimated project cost is \$9.02 million at 2000/2001 price level. This excludes maintenance expenditure and represents the cost of improvement items listed in paragraph 6 (a) (50%) (c) (d) and (i) only.

11. A sensitivity analysis of internal rate of return (IRR) on rental growth is at **Annex D**. Costs attributable to improvement works are expected to generate (IRR) at 17.7% with a payback period of 10 years. This is well above the 12% target return.

12. Predicted income from Wah Ming Shopping Centre is \$11.08M for 2000/2001. The improvement scheme will promote competitiveness of the Centre and enhance future income growth. It is estimated that annual income of \$12.84M could be achieved on project completion in 2002/2003 including income generated from new retail space estimated at \$0.34M.

FUNDING

12. Funds have been reserved in the budget from 2000/2001 to 2001/2002 under the Housing Capital Works Fund.

CONSULTATION

13. Estate staff have consulted affected TPS owners, tenants and local representatives and received general support to the scheme. Briefings will be maintained by estate staff throughout the implementation of the scheme.

INFORMATION

14. This paper is issued for Members' information.

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