

LegCo Panel on Housing

**Sub-committee to Study the Letting and Rent Policy
of Non-domestic Premises of the Housing Authority and the Housing Society**

The Housing Authority's Commercial Business

Role of Housing Authority in Commercial Provision

The scale of the Housing Authority's contribution to residential development is such that ancillary facilities are also required to assure residents of adequate services. These facilities, encompassing retail, carparking, welfare and educational are termed "commercial". The Housing Authority's commercial portfolio also includes factory estates taken over or developed by the Housing Department arising from its role as agent for Government in clearance of Government Land.

Portfolio

2. The Housing Authority portfolio primarily comprises retail, factory, carparking and ancillary (educational, welfare etc) facilities within Housing Authority's buildings. As at end December 2001, the Housing Authority manages 127 shopping centres, 14 factory estates and 95 000 carparking spaces. In addition, a number of free-standing facilities such as schools, recreational centres and bus termini are located within estate boundaries for the Government convenience and Housing Authority exercises limited management responsibilities for such facilities.

Overall Policies for Commercial Properties

3. The Commercial Properties Committee is delegated by the Authority to advise "on the best means of meeting the needs of estate residents and community in the vicinity for commercial facilities and of optimising financial return on its investment," and oversees policies for implementation by

the Housing Department. Broadly speaking, premises are let at market rent on terms comparable to those in the private sector. Concessionary terms are granted for welfare and some educational lettings. There is also a small and reducing group of tenants holding special rights deriving from historical practice.

Letting Arrangements

4. Any adult person or company (public or private) is eligible to apply for commercial premises in Housing Authority's estates. Lettings are by a variety of methods –

- (i) direct allocation (offices, storerooms and welfare users);
- (ii) tender (about 70% of retail lettings); and
- (iii) negotiation (about 30% of retail lettings).

Negotiation allows the Housing Authority to exercise greater flexibility on terms so as to be able to consider long leases, turnover rents, etc. Tenants are normally permitted to renew on tenancy expiry, subject to the tenant's compliance with obligations under the current term.

Management

5. Management has been progressively outsourced over the past decade and the majority of front-line operations are now provided by private management agents on contracts for periods of two to five years. The overall focus of operations is the Commercial Properties Division within the Department, reporting through a Business Director to the Director and ultimately to the Commercial Properties Committee.