

Legislative Council Panel on Housing

Sub-committee to Study the Letting and Rent Policies of Non-Domestic Premises of the Housing Authority and the Housing Society

**Housing Authority's Letting Policies
for Clinics and Vacant Premises**

Purpose

This paper seeks to provide Members with additional information on various letting and rent policies of the Housing Authority including those for clinics and vacant premises.

Policy Changes in response to Tenants' Requests

2. Members asked for a list of specific changes to Housing Authority's letting and rent policies as a result of representations or requests from commercial tenants. As we pointed out at the meeting on 25 April, Housing Department receives feedback from its commercial tenants and other concerned parties from time to time. The Housing Authority takes these views into account and introduces necessary adjustments. Specific areas where Housing Authority's policies have been changed over the past year in response to tenants' concerns or views expressed by other concerned parties include the following -

- (a) rent re-assessment exercise in November 2001 with improvements in implementation details building on previous experience and tenants' feedback;
- (b) reduction in carparking charges since January 2002 to tie in with the economic downturn;
- (c) one-hour free parking for shoppers with effect from April 2002 to promote patronage of estate shopping centres;
- (d) retrofitting of air conditioning systems for existing markets;
- (e) improvements to older markets with high vacancy levels to

enhance their competitiveness;

- (f) tightening controls on single-operators for markets for greater protection of individual licensees;
- (g) providing more generous rental discounts for retailers commensurate with the levels of population intake in new estates to encourage them to start businesses early;
- (h) suspending ‘trade widening’ scheme to allow operators to decide whether they wish to expand their permitted trades on tenancy renewal/during rent re-assessment exercise;
- (i) waiving the guaranteed minimum payments by carpark operators to Housing Authority to help operators faced with adverse business conditions;
- (j) granting rent relief to commercial tenants affected by upgrading works for compliance with fire safety legislation; and
- (k) extension of the “early surrender scheme” to encourage factory tenants to vacate their premises before formal clearance as a result of tenants’ favourable response.

Disclosure of Upset Rent

3. In response to Members’ request for the Housing Authority to seriously re-consider disclosing the upset rent for bidders’ reference, the Housing Authority is currently reviewing its tender arrangements and will inform Members of the outcome of its deliberations.

Rentals of Surrendered Commercial Premises

4. Members have indicated interest in the proportion of commercial premises returned voluntarily over the last few years re-let at increased or reduced rents respectively. Of the 1 181 premises voluntarily surrendered during the past five years which were subsequently let, 490 cases or 41% were let at the same or higher rent, with the remaining 691 cases or 59%

leased at lower rents. The high number of lower rents on re-letting generally reflects falling rental values in both the public and private retail sectors over the period.

Letting Arrangement for Clinics

5. Members have asked for sight of the Housing Authority's response to the submission of the Hong Kong Medical Association on the Authority's letting and rent policies on public housing clinics. The Housing Authority is currently reviewing the tendering system for its clinic premises and will take into account the views expressed by medical and dental practitioners.

6. Members have also expressed interest in the views received by Housing Authority from external parties before replacing the ballot system with an open tender system for the letting of its clinic premises in 2000. The views represented both ends of the spectrum as follows -

- (a) parties advocating changes to the ballot system include the Consumer Council, Hong Kong Medical Association, Private Doctors Association, some medical practitioners and medical service providers, Independent Commission Against Corruption and a number of Legislative Council Members. Many of them specifically supported a tender system; and
- (b) as to be expected, parties supporting the retention of the ballot system without any changes were the Estate Doctors' Association and the Estate Dentists Group, which obviously had vested interests.

Housing Society's Rentals for Clinics and Other Premises

7. In response to Members' request for the difference in rentals between Housing Society's clinic premises and its other types of commercial premises, the Housing Society has advised that the average unit rent for its clinic premises is \$351 per sq.m., which is 30% higher than that for its other types of commercial premises at \$270 per sq.m..

More Proactive Invitation for Proposed Uses of Vacant Premises

8. As regards Members' suggestion that the Housing Authority should adopt a more proactive approach in inviting suggestions from community organizations or tenants for better use of vacant shop spaces in less prominent locations, the Housing Authority has already -

- (a) introduced a short-term tenancy arrangement since January 2002 to allow tenants to propose their own trades in selected vacant premises; and
- (b) decided to convert commercial space in less prominent locations surplus to retail requirements for welfare or community uses. Housing Department now circulates lists of such vacant premises regularly to Government Property Agency and Social Welfare Department for proposed uses. In addition, it is a well-known and well-used practice for non-government organizations to approach Housing Department direct for possible uses of such vacant premises.

9. Housing Department will continue to consider other possible measures to invite suggestions for uses of vacant premises more proactively e.g. exploring with interested parties the possibility of developing some of its existing shopping centres into theme malls, for instance, into a book city, computer city and reflexology centre.

Housing Department
May 2002