

Director of Audit's Report No. 56 (Chapter 7)

**Hong Kong Housing Authority :
Management of Commercial Properties**

Supplementary Information Sheets for PAC Members

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May 2011

- ◆ **Terms of Reference of Commercial Properties Committee (CPC)**
 - ◇ To advise the Housing Authority on policies concerning its commercial, industrial and other non-domestic facilities and to optimise financial return on its investment.
 - ◇ To exercise the powers and functions of the Authority in accordance with the relevant prevailing policies –
 - to endorse programmes of activities and monitor their performance, and to approve the financial targets, service standards and performance measures within the policies and objectives set by the Authority for submission to the Authority for approval;
 - to manage and maintain the Authority’s non-domestic properties, including determination of letting and promotional strategy, rents and other tenancy terms; and
 - to determine ex-gratia allowances for non-domestic properties affected by redevelopment, repair or other operational activities.

◆ **Property Portfolio**

Type	No. of units	No. of tenancies	Internal floor area (m ²)	Occupancy rate
Domestic premises : 710 000 public rental housing (PRH) units				
Retail Premises				
- Shops	1 800	1 400	169 000	95%
- Shopstalls	1 100	840		91%
- Cooked food stalls	45*	35		78%
Factory	8 400	3 500	209 000	99%
Welfare premises	6 800	1 300	654 000	95%
Educational facilities & government lettings	900	530	1 500 000	95%
Total	19 045	7 605	2 532 000	95%
Storeroom	2 800	-	-	-
Parking spaces	27 000	-		75%

* CPC approved to defrost letting of 10 cooked food stalls in early 2011.

◆ **Marking Scheme**

- ◇ Launched since 2003 and reviewed in 2006.
- ◇ Covers nine misdeeds incorporating all environmental hygiene related breaches.
- ◇ Allotment of points ranging from three to seven points and termination of tenancy with accumulation of 16 points or more.

◆ **Enforcement Actions Taken in Last Year**

- ◇ No. of referrals on illegal gambling made to the Police : 150
- ◇ No. of warning letters on unauthorised use of leased premises : 1 500
- ◇ No. of notice-to-quits (NTQs) issued : 2

◆ **Leasing Mode**

- ◇ Tenders viz. Open Rental Tender, Open Instant Tender, Premium Tender and Restricted Instant Tender.
- ◇ Direct Negotiation for large-space lettings to achieve magnetic effect from anchor tenants and get better assurance of good performance.
- ◇ Walk-in Application and Direct Allocation may also be adopted for unpopular premises and letting of commercial premises to non-government organisations (NGOs) at fair market rent.

◆ **Planning Standard for Provision of Private Car Parks**

- ◇ 1 space for 5-8 Home Ownership Scheme (HOS) flats and 1 space for 13-16 PRH flats (1996 – 2002)
- ◇ 1 space for 13-24 PRH flats (2003 – 2008)
- ◇ 1 space per 26-46 PRH flats adopted since 2009

◆ **3-Tier Charging System for Private Car Parks**

- ◇ First tier : full monthly charges shall apply for those car parks with occupancy rates at 90% or above.
- ◇ Second tier : a reduction of about 10% from the full monthly charges will be given for those car parks with occupancy rates at 50% to below 90%.
- ◇ Third tier : a reduction of about 15% from the full monthly charges will be given for those car parks with occupancy rates below 50%.

◆ **2005 Divestment**

- ◇ Number of properties divested : 180
- ◇ Number of estates/courts involved : 176
- ◇ Date of listing : 25 November 2005
- ◇ Divested Property Portfolio
 - About 11 million ft² (internal floor area) of retail spaces
 - Some 79 000 parking spaces

◆ **Key Performance Indicators (KPIs) of Commercial Operation**

KPIs		Targets		
		2009/10	2010/11	2011/12
(a)	Vacancy rate for retail premises	Below 5.5%	Below 5.5%	Below 5%
(b)	(i) Operating expenditure as a percentage of income (including depreciation and rates)	Below 67%	Below 62%	Below 60%
	(ii) Operating expenditure per square metre retail space per month (excluding depreciation and rates)	Below \$125	Below \$115	Below \$135
	(iii) Operating expenditure per unit car park space per month (excluding depreciation and rates)	Below \$245	Below \$245	Below \$280
(c)	Amount of rent arrears	Less than 5%	Less than 4.5%	Less than 3.0%

◆ **Cases Checklist (as at 30.4.2011)**

Irregularities Identified	Case Detail	Progress
Case 1 - Photo 1 (para. 2.9)	Adjacent storerooms used for playing mahjong	The two storerooms were surrendered on 31.1.2011. We have extended the unit-to-unit inspection exercise to cover all 2 800 storerooms.
Case 1 - Photo 2 (para. 2.9)	Storeroom used as an office	The storeroom was recovered on 31.3.2011. The Property Services Agent of the estate concerned was warned for the unsatisfactory performance in detecting the irregularities. Should its performance remain unsatisfactory, we will deduct the assessment marks which which has impacts on its chance for future tendering.
Photo 3 (para. 2.12)	Mahjong playing at a market stall in an estate in Kowloon	HD served a NTQ to terminate the tenancy of the stall on 31.3.2011 and the case is pending hearing by the Appeal Panel, tentatively scheduled for June 2011.
Photo 4 (para. 2.12)	Tin kau playing at a common area of a shopping centre on Hong Kong Island	The management has stepped up daily patrol and liaised with the Police for operations against gambling activities. We also worked with the local NGO to reach out to the group of senior citizens persuading them to refrain from gambling and participate the activities organised by NGO.

Irregularities Identified	Case Detail	Progress
Photo 5 (para. 2.15)	Cases of non-trading during normal business hours at an estate in Kwai Chung	We continue to keep daily records on opening hours of the suspected non-trading premises and will take tenancy actions, if required.
Photo 6 (para. 2.15)	Cases of non-trading during normal business hours at an estate in Tsuen Wan	We continue to keep daily records on opening hours of the suspected non-trading premises and will take tenancy actions, if required.
Photo 7 (para. 2.19)	Obstruction problem at an estate on Hong Kong Island	HD has issued warnings and allotted six points to the tenants concerned. We will intensify the enforcement action under the Marking Scheme, including the deployment of the Mobile Operations Unit to assist the local management to take operations against shopfront obstruction.
Case 2 (para. 2.28)	Re-designation of trades in a shopping centre on Hong Kong Island	We are in the process of re-letting the shop and interested parties/ potential tenderers are allowed to suggest possible trades. We will explore other means to handle those not viable or unattractive retail premises.
Photo 8 (para. 4.7)	Need to work out a definite clearance plan for the Chai Wan Factory Estate	The clearance plan for the Chai Wan Factory Estate was announced on 10.3.2011 with evacuation date scheduled for 30.9.2012.

Irregularities Identified	Case Detail	Progress
Case 3 (para. 4.25)	Suspected subletting of factory units at Factory Estate 1	The tenant had updated information of the registered owner under the Business Registration Certificate with the Authority.
Case 4 (para. 4.25)	Suspected subletting of factory units at Factory Estate 2	The tenant had updated information of the registered owner under the Business Registration Certificate with the Authority while the partitions previously erected had been removed.