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Report of the Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates

Purpose

This paper reports on the deliberations of the Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates ("the Subcommittee").

Background

- 2. The Hong Kong Housing Authority ("HA") is a statutory body established in 1973 under the Housing Ordinance (Cap. 283). It develops and implements a public housing programme to meet the housing needs of low-income families who cannot afford private accommodation. In order to cater for the daily needs of public housing residents, non-domestic facilities are provided in public housing developments.
- 3. In 2005, HA divested 180 non-domestic properties, including retail and carparking facilities ¹, through The Link Real Estate Investment Trust ("The Link") (now known as Link Real Estate Investment Trust ("Link")). According to the Administration, the objective of the divestment is to enable HA to focus on its core function of providing subsidized public housing and improve its financial position in the short-to-medium term with proceeds from divestment. Also, the efficiency of the commercial facilities will be enhanced under the operation of a private entity in accordance with commercial principles.
- 4. Following the divestment, HA has continued to manage the non-divested retail and carparking facilities, as well as those provided under new public housing developments. Currently, the retail facilities managed by

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The 180 divested properties covers 149 properties with both retail and carparking facilities, two with retail facilities only, and 29 with carparking facilities only.

HA comprise 36 shopping centres and 22 markets. HA also manages 151 carparks providing about 30 000 parking spaces.

5. Since 2014, Link has sold 45 HA's divested properties to other owners ("the subsequent buyers"). At present, Link owns 135 divested properties, of which 104 properties have both retail and carparking facilities, 29 with carparking facilities only and two with retail facilities only.

The Subcommittee

- 6. At the House Committee ("HC") meeting on 11 November 2016, Members agreed to form a subcommittee to study issues relating to shopping centres, markets and carparks in public rental housing ("PRH") estates and Home Ownership Scheme ("HOS") estates, and put it on the waiting list for activation of work. Approval was given by HC at its meeting on 1 December 2017 for the Subcommittee to commence its work. The terms of reference of the Subcommittee is in **Appendix I**.
- 7. Hon Jeffrey LAM Kin-fung and Hon HO Kai-ming are Chairman and Deputy Chairman of the Subcommittee respectively. The membership of the Subcommittee is in **Appendix II**. The Subcommittee has held a total of six meetings, including one meeting to receive views from over 100 stakeholders. The list of deputations and individuals which/who have given views to the Subcommittee is in **Appendix III**.
- 8. To facilitate members' discussion, the Subcommittee has requested the Research Office of the Legislative Council Secretariat to study the retail and carparking facilities in PRH and HOS estates operated by HA, Link and other private operators in areas such as property distribution, rentals, occupancy rates and tenant trade mix of retail facilities²; and the trend and developments regarding the activities of buying back privatized public assets in overseas places³.
- 9. To better understand the relevant legal documents governing divested properties, the Subcommittee has requested the Administration to provide the land leases of 76 divested properties, the deeds of mutual covenant ("DMCs")

The fact sheet can be found at:
https://www.legco.gov.hk/research-publications/english/1718fs07-overview-on-the-retail-and-carparking-facilities-in-public-rental-housing-estates-and-home-ownership-scheme-estates-20180523-e.pdf

The information note can be found at: https://www.legco.gov.hk/research-publications/english/1718in15-buying-back-privatized-assets-in-selected-places-20180907-e.pdf

and assignment deeds of 40 divested properties ⁴, and the Agreement for Sale and Purchase of Properties between HA and The Link ⁵.

10. The Subcommittee has passed five motions urging the Administration to take follow-up actions on various matters relating to the shopping centres, markets and carparks in PRH and HOS estates. A list of the motions passed by the Subcommittee is in **Appendix IV**.

Declaration of interest

11. Mr SHIU Ka-fai and Mr Wilson OR declared interest as non-official members of HA. Mrs Regina IP declared that certain District Council ("DC") members of the New People's Party have rented the properties owned by Link for setting up ward offices.

Deliberations of the Subcommittee

- 12. Members have expressed concerns over a wide range of issues including service provision and operation modes of the shopping centres, markets and carparks in public housing managed by HA, Link and the subsequent buyers, provision of social welfare facilities and services in new public housing developments, related impact of HA's divested retail and carparking facilities on public housing residents, and mechanism for regulating these divested facilities to ensure the continued provision of suitable and adequate facilities to the residents.
- 13. Members have generally expressed dissatisfaction to Link's adoption of market-oriented commercial approach in operating the divested retail and carparking facilities, which has adversely affected the livelihood of public housing estates. Link's disposal of 45 divested properties in recent years to reap huge profits at the expense of the interests of public housing residents has also induced worries among members. Members are of strong views that the Administration should explore practical solutions to issues relating to the divested properties in order to protect the interests of the public. Deliberations of the Subcommittee are set out in ensuing paragraphs.

The land leases, deeds of mutual covenant and assignment deeds can be found at: https://www.legco.gov.hk/yr16-17/chinese/hc/sub_com/hs104/papers/hs104cb4-811-2-ec.pdf https://www.legco.gov.hk/yr16-17/chinese/hc/sub_com/hs104/papers/hs104cb4-1353-4-ec.pdf

The Agreement for Sale and Purchase of Properties can be found at: https://www.legco.gov.hk/yr16-17/chinese/hc/sub_com/hs104/papers/hs104cb4-1133-6-ec.pdf

Shopping centres

Letting arrangements

- 14. Members have criticized Link and the subsequent buyers for operating the divested shopping centres purely on the basis of market and profit principles without bearing any corporate social responsibility. In the pursuit of profits, Link and the subsequent buyers have ignored the views of the shop tenants and the needs of the public housing residents.
- 15. Link and the subsequent buyers have undergone renovation works in shopping centres arbitrarily and increased shop rentals sharply irrespective of the market conditions. The rental increase has resulted in an increase in the prices of customer goods and services available in the shopping centres, thereby further adding to the burden on residents' livelihood. Moreover, the substantial rental increase has forced small shops to move out of the relevant shopping centres and brought in medium-level-to-high-end retail and catering chains. Some members have asked for a mechanism to monitor the rent set by Link and the subsequent buyers.
- 16. Members are also concerned about the security of tenure of sitting commercial tenants (particularly small proprietors) in divested shopping centres. A member has pointed out that some cooked food kiosks are forced to move out because Link has imposed unfair terms in tenancy agreements upon tenancy renewal. Some members have suggested the Administration to assist these tenants to continue their operation, such as arranging new premises in new public housing developments for them.
- 17. As advised by the Administration, just like other private entities, so long as the operations of Link and the subsequent buyers have complied with prevailing legislation, land lease conditions and terms of covenants in the assignment deeds between Link and HA, the Administration cannot and will not interfere with their day-to-day operation and commercial decisions, involving renovation, leasing arrangements, rental determination, etc.

Tenant trade mix

18. Members consider that the tenant mix and location of different trades in a shopping centre should be kept in a balanced manner to ensure provision of diversified commercial facilities to cater for residents' needs. However, it has been noted that many divested shopping centres are dominated by chain stores which can hardly provide basic necessities to satisfy residents' daily needs. Worse still, some subsequent buyers have left the shopping centres vacant for prolonged periods of time or converted the commercial premises into

international schools, private residential care homes for the elderly, etc., which have more promising prospects for high returns, thereby depriving residents of affordable living necessities and services.

- 19. To safeguard the interests of the public housing residents, some members have suggested that the Administration should explore measures to ensure the provision of more shopping choices and a variety of services in the divested shopping centres. The Administration has stressed that just like other private owners, Link and the subsequent buyers can determine the trade mix and facility layout for their shopping centres according to changing circumstances.
- 20. Some other members consider it necessary to improve the service provision of the non-divested shopping centres under HA with a view to offering more shopping choices for the residents. They have put forward various suggestions which include renovating old shopping centres to improve shoppers' patronage, putting on trial initiatives such as online selling platforms, devising plans to increase the provision of retail facilities in existing and new public housing estates, relocating welfare facilities currently renting shop units on the ground floor to the first floor so as to increase the provision of shops selling daily necessities, re-classifying commercial facilities in the Hong Kong Planning Standards and Guidelines ("HKPSG") (i.e. excluding ward offices of DC members and welfare facilities in public housing developments from the list of commercial facilities) to allow more flexibility for the provision of commercial facilities, and setting aside a number of premises with affordable rent in PRH estates for small neighbourhood shops and traditional trades.
- 21. A member has opined that when deciding on the market positioning of the shopping centres in PRH estates, HA should take into account residents' affordability and, at the same time, adjust the operation modes of the shopping centres to keep pace with the changes in the purchasing power of members of the public in order to succeed in business.
- 22. According to the Administration, HA will commission consultants to carry out retail facilities studies at the planning stage to determine appropriate retail facilities for new public housing developments if necessary, and will also take into consideration the operational and financial viability and suitability, etc. of such facilities. For older shopping centres under HA, the Commercial Properties Committee of HA will from time to time consider various asset enhancement proposals, including conducting improvement works, re-ordering of the trade mix, etc., according to changing circumstances in order to meet the evolving needs of residents. On the premise that housing supply will not be compromised, the Administration will continue to explore feasible measures to increase the provision of retail facilities with a view to providing more shopping choices for residents.

- 23. Members have also been informed that HA has implemented the five-year rolling programme since 2011 to prioritize asset enhancement of non-domestic facilities in HA's shopping centres to meet residents' needs and optimize the use of resources. Under the programme, about two projects are identified for asset enhancement every year. HA has been urged to select more projects for asset enhancement every year so as to expedite the renovation of shopping centres.
- 24. To cater for the needs of the elderly residents, some members have taken the opportunity to seek HA's assistance in asking the banks in PRH estates to provide passbook update machines. The Administration has undertaken to relay members' concerns to the relevant authorities.

Markets

Provision of markets

- 25. Members note with deep concern that as the provision of market is not required in a public housing development under HKPSG, Link and the subsequent buyers have converted the markets in some of the divested properties into other retail uses, such as mini-storages, indoor amusement parks, etc. This deprives residents of fresh provisions and groceries in their neighbourbood and causes them much inconvenience. To tackle the problem at root, members consider that a market should not be classified as a kind of retail activities in HKPSG. A separate category should be created for markets in HKPSG which requires the provision of such facilities in a public housing development, thereby protecting the interests of the residents. The Administration has agreed to relay members' suggestion to the Planning Department for its consideration.
- 26. Some members have further pointed out that Link and the subsequent buyers have renovated the markets in divested properties arbitrarily and raised the stall rentals significantly. Sitting stall operators have no choice but to increase the prices of their goods sharply or terminate their operations. Moreover, the management of markets in the divested properties is outsourced to contractors who change the business model of the markets by eliminating small stalls which used to provide low-priced food and daily commodities for Many markets are also in poor conditions because of the mismanagement of the outsourced contractors. As a result, residents have to travel to other districts to buy food and daily necessities. Members have suggested the Administration to consider providing residents, particularly the elderlies, with shuttle bus services to and from nearby public markets; and extending the Marking Scheme for commercial premises to cover markets in divested properties to monitor the management of contractors.

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- 27. There is general agreement among members that HA should explore measures to increase public markets in the long run, including revising the planning standards in HKPSG so that the provision of public market will be considered for all new development areas and new public housing developments, providing public markets based on the number of population in a district, and taking forward the planning and construction of new public markets expeditiously. According to the Administration, the Government has announced in the 2017 Policy Address that public markets will be built in districts where relevant facilities are alleged to be insufficient, such as Tung Chung, Tin Shui Wai and Hung Shui Kiu in response to the demands of local residents. If the situation allows, more resources will be allocated to provide new public market facilities and enhance existing facilities.
- 28. Since a long lead time is required for the construction of public markets, members consider it necessary for the Administration to make the best use of the common areas in public housing developments for organizing bazaars as an interim measure. To better facilitate the setting up of bazaars, the Administration should shorten the application time for organizing bazaars by conducting a study on public housing estates suitable for organizing bazaars, explore support measures for proponents (such as provision of storerooms for storing goods), and formulate a proper hawker policy. A member has suggested that bazaars should be included as part of the infrastructure in all new public housing developments.

Single-operator letting arrangement

- 29. Members see the need to revitalize and modernize the management and operation of HA's existing market facilities in aspects as hygiene and diversification, with a view to counteracting the monopolistic situation of Link. Besides, members have taken this opportunity to express their dissatisfaction to the single-operator letting arrangement adopted by HA for its markets, under which a single tenancy is awarded to an operator who enters into leases with individual stall operators and operates the whole market. They consider that such model has led to an increase in operation costs, which ultimately shift to public housing residents. There are strong calls for HA to abolish the single-operator letting arrangement and manage all its markets directly.
- 30. According to the Administration, all HA's new markets have adopted the single-operator letting arrangement since 1997. Such practice allows HA to leverage on the expertise and flexible management and operation mode of the private sector, with a view to providing better shopping choices and service environment for residents. As single-operator management mode has proved to be effective and has balanced the practical circumstances of commercial

operations and shopping needs of residents, all newly completed markets in public housing developments will adopt such arrangement.

- 31. Members do not subscribe to the Administration's explanation that single-operator markets ("SOMs") have proved to be effective. Some members have pointed out that under the single-operator letting arrangement, the leasing policy is not transparent and the interests of small operators are not duly protected. Some single operators select stall operators according to their own interests, which may be unknown to others. Given the chaotic arrangement, certain stall operators have rental disputes with the relevant single operators. Consideration should be given to setting a ceiling to cap the stall rentals.
- 32. As explained by the Administration, single operators are allowed to select individual stall operators and negotiate with them on the rents and terms of letting on a commercial basis, so as to achieve the purpose of leveraging on the expertise and efficiency of the private sector's mode of operation. Nevertheless, to safeguard individual stall operators, HA will restrict the single operators from charging stall operators any fees other than rent, air-conditioning charges, rates and management fees. HA will also restrict the amount of deposits and management fees that a single operator can charge on individual stall tenants. The management fees can only be adjusted once a year and the annual adjustment should accord with the movement in the Nominal Wage Index published by the Census and Statistics Department.
- 33. Certain members have further drawn the Administration's attention that some single operators on one hand directly operate some of the stalls in the markets, and on the other hand charge excessive rent on the operators of other stalls, thereby making the latter difficult to sustain their business. As a result, the direct operation of stalls by the single operators may lead to a monopolistic situation in the supply of foodstuff in the markets, thereby pushing up the foodstuff prices. In addition, certain single operators of HA's markets are outsourced contractors of Link's markets at the same time. The same operator can attain monopoly if it takes control of markets under both Link and HA in the same district.
- 34. As explained by the Administration, it may be necessary to allow single operators to directly operate some of the market stalls in order to reduce vacancy rate and ensure effective operation of the market in light of the actual circumstances. This can also help meet the tenancy requirement of providing certain proportion of foodstuff and miscellaneous trades. In order to strike a balance between maintaining flexibility for SOM operation and addressing public concerns, the scale of direct operation by a single operator is restricted to an area of no more than 20% of the total internal floor area of individual stalls.

35. To protect the rights and interests of members of the public, members have called on the Administration to formulate a mechanism to assess and monitor the performance of single operators. Besides, single operators whose tenancies are once terminated due to non-compliance with tenancy conditions should not be allowed to submit bids for other SOMs. According to the Administration, HA will conduct regular inspections in SOMs and assess the performance of the single operators once every two months. As for tenancy renewal, single operators' capability to manage the daily operation of the market in an effective and smooth manner is HA's most important consideration when making decision on tenancy renewal. For operators who fail to fulfill the tenancy conditions despite warnings, for instance, non-payment of rentals to HA, HA has the right to terminate the tenancies concerned and not to invite them to submit bids for other SOM contracts within a specified period of time.

Carparking facilities

Shortage of parking spaces

- 36. There is grave concern over the severe shortage of parking spaces for various types of vehicles in public housing developments. Some members have expressed the view that as many public housing residents are drivers of commercial vehicles including coaches, it will be more convenient to them if an appropriate number of commercial vehicle parking spaces is provided in public housing developments. Some other members have pointed out that the shortage of motorcycle parking spaces is becoming more serious. According to the Administration, it understands that there has been an increase in demand for various types of parking spaces in different districts. Where situation permits, it will continue to explore measures to increase parking spaces for various types of vehicles. In fact, a consultancy study on commercial vehicle parking has been commenced in December 2017 with a view to formulating appropriate measures to ease the shortage of parking spaces.
- 37. A member has highlighted that due to the limited supply of parking spaces in public housing estates, the number of parking spaces provided for schools, especially those located at aged housing estates, is less than the requirements set out in HKPSG. Also, the parking spaces are located far away from the schools concerned and can only be used from 8:00 am to 6:00 pm. The Administration has agreed to communicate with these schools to offer assistance.
- 38. Given the Administration's active promotion on the use of electric vehicles ("EV"), there is a suggestion that the Administration should increase the number and size of parking spaces installed with EV charging facilities in public housing developments. According to the Administration, around 30% of parking spaces in new public housing developments are equipped with EV

charging facilities. Cables and ducts are provided for the remaining 70% of parking spaces for installation of charging facilities if necessary. However, due to constraints in respect of power supply capacity, it is not feasible for all carparks in existing public housing developments to be installed with such facilities. As at end-December 2017, there are about 580 parking spaces in carparks under HA installed with EV charging facilities.

- 39. Members have been informed that under the carparking covenant, the carparking facilities in a housing estate or court shall not be disposed of except as a whole. If the residential units in a public housing estate or court have been sold, the carpark covenant will cease to have effect. Some members are worried that the shortage problem of parking spaces in public housing developments will be further aggravated if the sale of parking spaces is not restricted to local residents. There is a view that public housing residents should have priority on buying the parking spaces and this should be clearly stipulated in the relevant land leases. As explained by the Administration, land leases of the divested properties generally do not restrict the mode of operation and ownership of the carparks, but require that the parking spaces should be used by the residents of the residential flats and their bona fide guests and visitors.
- 40. A member has pointed out that Link's parking fees are much higher than that of HA. The relatively low parking fees of HA might attribute to the tight demand for HA's parking spaces. According to the Administration, HA has been charging market rates for its carparks. When determining the carpark charges, HA will take into account the needs and affordability of public housing residents.

Measures to mitigate the shortage of parking spaces

- 41. There are strong calls for the provision of additional parking spaces in public housing developments. In this regard, members have put forward a number of suggestions for the Administration's consideration. These include converting surplus private car parking spaces for other types of vehicles that are of greater demand, planning the provision of carparking facilities appropriate to new public housing developments on a case-by-case basis, building multi-storey carparks (especially underground ones) in new public housing developments, conducting in-depth studies on parking needs in individual districts, and immediately revising the parking planning standards in HKPSG having regard to the changing supply and demand conditions.
- 42. According to the Administration, HA has been adopting a flexible approach in letting and making conversion of parking spaces in response to market conditions and demand so as to put the parking spaces to their best uses. Subject to the terms in the land leases of the public housing estates and courts

concerned, HA may seek permissions and waivers from the Lands Department ("LandsD") to increase the flexibility in allocating parking spaces for different types of vehicles. In planning the provision of appropriate carparking facilities in new public housing developments, HA will take into account the guidelines in HKPSG, the traffic and parking conditions in the vicinity of the development projects, etc. The guidelines on the supply of parking spaces in HKPSG will also be reviewed as appropriate to meet the evolving needs of the public. Furthermore, HA will consider providing the option of building underground multi-storey carparks in new public housing developments if the overall development permits, but should not result in reduction of number of flats, extension of construction period, and creation of significant financial commitment. The Administration has nevertheless taken note of members' views and suggestions for consideration.

43. Some members have further pointed out that Link is not keen on applying to LandsD for changing the surplus private car parking spaces to the parking of other types of vehicles because the fees involved are very high. The Administration has been urged to reduce or waive the fees to facilitate the conversion according to market conditions. To improve the utilization efficiency of existing carparks, some members have also suggested that the Administration should step up its efforts in disseminating real-time parking information and parking vacancy data to carpark users through the use of advanced technology.

Letting arrangements

- 44. Members have drawn the Administration's attention that Link and the subsequent buyers have repeatedly increased the charges of the divested carparks including the charges for the parking spaces for persons with disabilities ("PWDs"), aggravating the burden on the livelihood of the public housing residents renting those parking spaces. Some members have called on the Administration to put in place a control mechanism to regulate the increase in carpark charges imposed by Link and the subsequent buyers. Some other members have urged the Administration to request Link and the subsequent buyers to continue the parking concession arrangements for PWDs in the divested carparks. There is also a suggestion that consideration should be given to offering concessionary carpark charges for public housing residents.
- 45. According to the Administration, as long as the buyers of carparks/parking spaces do not breach the relevant leases and the relevant covenants with HA, HA cannot and will not interfere with their day-to-day operation and commercial decisions, including parking charges and concession arrangements for PWDs. Moreover, given the fact that the carparks are located in public housing developments and the major clientele is public housing

residents, owners will take into account such relevant factors when setting the level of carpark charges. The Administration has nevertheless undertaken to relay members' concerns to Link and the subsequent buyers.

46. Some members have suggested that upon Link's disposal of the divested carparking facilities, Link and the subsequent buyers should communicate with the carpark users to discuss the subsequent letting arrangements after the change in ownership. In their view, it is the legal responsibilities of HA to ensure the continued provision of carparking facilities to carpark users after the change in ownership. The Administration has agreed to maintain dialogue with Link and the subsequent buyers with a view to minimizing the impact to the operation of the facilities during the handover period.

Carpark management

47. Members expressed grave concern over the poor management of divested carparks, for instance, bad hygienic conditions, water ponding, etc. Some members take the view that the sale of individual parking spaces separately has made it difficult for the Administration to monitor the management of the divested facilities. The Administration has been urged to take proactive measures to monitor the operations of the divested carparking facilities to ensure the management quality. Besides, the Administration should take initiatives to improve the competitiveness of public carparks, such as upgrading the security system.

Social welfare facilities

Planning of welfare facilities

- 48. Members note with concern that social welfare, education, transport and retail facilities are not available for use when residents move in the newly completed public housing developments. They find this undesirable because welfare facilities and services are of paramount importance in helping residents adapt to the new living environment. Some members have called for a better coordination among relevant Bureaux/Departments ("B/Ds") to ensure the provision of community facilities and services, particularly welfare services, in newly completed public housing developments at the intake stage.
- 49. According to the Administration, Social Welfare Department ("SWD") will advance the necessary preparation work, including the selection of the operating agencies, to facilitate the agencies to commence the fitting-out works and provide services at the earliest possible time. The Administration has

assured members that HA and the relevant B/Ds will spare no effort in offering support and assistance to residents in new public housing developments.

- Members generally consider that absence of welfare facilities will 50. cause various social problems, and urged the Administration to ensure adequate provision of welfare facilities and services in public housing developments. Some members have urged the Administration to provide child care services and elderly services in new public housing developments as there is a pressing need for such services in the community. To increase the provision of welfare services, members have made various suggestions for the Administration's consideration. These include exempting such facilities from the calculation of gross floor area ("GFA") in PRH estates, making use of ventilation corridors in PRH estates for setting up welfare facilities, putting in place performance indicators based on the number of users, and setting up an inter-departmental taskforce to coordinate the planning for the provision of welfare facilities and services in new public housing developments. Moreover, a member also reminded the Administration to avoid arranging several non-government organizations ("NGOs") to provide same type of welfare service in a PRH estate for better utilization of resources.
- 51. The Administration has undertaken to convey members' suggestion of granting GFA concessions to the Planning Department and explained that non-domestic facilities (including recreational, educational, welfare facilities, etc.) should be included in GFA calculation in PRH estates under the prevailing Given the limited space in PRH estates, the statutory requirement. Administration will consider the feasibility of increasing the provision of welfare facilities to address the need of the community without reducing the number of flats and extending the construction period. On the suggestion of setting performance indicators, the Administration has advised that it will take into account a basket of factors in planning for the provision of welfare facilities in new public housing developments. As the actual circumstances of individual estates vary, it is not practical to impose any fixed target on the provision of welfare services in public housing developments. On the contrary, the existing planning mechanism can allow HA to draw up a suitable mix of welfare facilities in a new public housing development to flexibly cater for the service needs of the new population as well as the community at large.
- 52. Some members have commented that the planning standards for welfare facilities in HKPSG are out of date and fail to address the needs of the public. To better meet the service needs of the public housing residents, the Transport and Housing Bureau, Labour and Welfare Bureau, Development Bureau, SWD and HA should collaborate in drawing up new plans for the provision of welfare facilities in new public housing developments, including both PRH estates and subsidized sale flat developments.

- 53. Whilst appreciating the Administration's effort in grouping the welfare facilities in a dedicated welfare block in some public housing developments to enhance their accessibility and user-friendliness, a member has opined that it may be unsuitable for certain welfare facilities, particularly those of smaller scale, to be accommodated in a dedicated welfare block.
- 54. According to the Administration, the Planning Department will coordinate with relevant B/Ds to review and update HKPSG in the light of social developments and changes in policies. In determining the provision of social welfare facilities in public housing estates, HA will refer to the guidelines in HKPSG and consult SWD. In general, SWD will take into account various factors, including the needs of the local community, the overall demand for welfare services, individual site constraints, etc.

Letting arrangements

- 55. Certain members have drawn the Administration's attention that some subsequent buyers charge sitting NGOs renovation fee in addition to the concessionary rent. Members in general consider that Link and the subsequent buyers should continue the concessionary rent arrangement for NGOs. HA has been urged to communicate with sitting NGOs the transitional rental arrangement as soon as Link has confirmed the disposal of properties and render assistance to sitting NGOs victimized by Link's sale of the divested facilities.
- 56. To address members' concern, the Administration has undertaken to follow up with the aforementioned cases. According to the established practice, upon Link's disposal of the divested properties, HA will issue letters to the subsequent buyers to remind them of the requirement to comply with the welfare-letting covenant. Copies of such letters will be sent to sitting NGOs and their nominating authorities. Notwithstanding the change in ownership, the welfare-letting covenant will continue to be in force, under which these organizations will only be required to pay concessionary rents as assessed by HA, which have covered the cost of management and maintenance. Hence, these organizations should not be required to pay any other fees in addition to the rent. However, if NGOs rent premises in PRH estates through commercial leasing arrangements, they are not subject to the welfare-letting covenant.

Regulation of divested properties

Housing Ordinance

57. Members are generally concerned that the management of divested properties by Link and the subsequent buyers has caused great dissatisfaction in the community. They have cast doubt as to whether HA has effectively

discharged its monitoring role to ensure that the divested properties are properly managed and whether HA has fulfilled its duty under section 4(1) of the Housing Ordinance "to secure the provision of housing and such amenities ancillary thereto as the Authority thinks fit" for the persons concerned.

According to the Administration, when handing down its Judgement in 2005 on a relevant judicial review case regarding divested properties, the Court of Final Appeal ("CFA") affirmed that the divestment of retail and carparking facilities by HA was consistent with the objective laid down in section 4(1) of the Housing Ordinance. CFA also ruled that HA itself is not required to retain and control the relevant facilities. If facilities are provided by a third party, HA has already complied with the requirement of section 4(1) of the Housing Ordinance. Some members do not subscribe to the Administration's explanation that HA has secured the provision of such facilities because in their views, Link and the subsequent owners have not made the facilities available to tenants.

Land leases, deeds of mutual covenant and restrictive covenants

- 59. Members have been informed that any owner of a divested property is governed by relevant laws, land lease conditions and the applicable restrictive covenants. All these ensure that changes in the management or control of the divested facilities will not affect the continuation of uses as commercial, carparking, educational, social welfare and recreational facilities. Some members, however, have pointed out that numerous suspected breaches of land lease conditions have been identified in the divested properties. For example, parking spaces in divested carparks are let to non-residents, the reserved parking system in monthly parking spaces is replaced with floating parking system, certain trade types in shopping centres are not provided, the opening hours of the connecting footbridges between shopping centres and the residential portion of the housing developments are restricted, etc.
- 60. Certain members have criticized Link and the subsequent buyers for not discharging their responsibilities for managing and maintaining the common areas and facilities in the divested properties in accordance with the provisions under DMCs. For example, recreational facilities are not make available for use by residents of the housing estates and courts, a number of maintenance and improvement works projects in estate common areas cannot commence because consent has not been obtained from Link, etc. Some members have urged the Administration to consider recovering the titles of common areas in public housing developments under HA by invoking the Lands Resumption Ordinance (Cap. 124) so as to manage the relevant common areas and facilities effectively.
- 61. The Administration has explained that HA will liaise with Link and the subsequent buyers on matters relating to the management and maintenance of

recreational facilities and follow up with them to ensure that the facilities are opened for use by public housing residents in accordance with the provisions under DMCs. In case of any non-compliance with DMCs, DMC managers will issue warning letters to the owners concerned or take legal actions to enforce the provisions of DMCs having regard to the circumstances. For the maintenance work of the common areas and facilities in public housing developments, HA has a well-established mechanism to discuss and resolve such matters at the annual meeting with Link. This mechanism has been operating smoothly and effectively.

- 62. According to the Administration, the split-ratio covenant in the assignment deeds of 23 HOS courts stipulates that the purchaser shall contribute to the management and maintenance expenses of certain "specific activities" in estate common areas and facilities in accordance with the split ratios set out in the schedules of the assignment deeds. However, it has come to members' attention that HA has not monitored the compliance by Link and the subsequent buyers with the split ratios stipulated in the split-ratio covenant in the respective assignment deeds. Members have strongly urged the Administration to ensure that Link and the subsequent buyers have duly observed the terms of the split-ratio covenants and recovered their share of the costs and expenses for the previous maintenance works in estate common areas and facilities.
- 63. As advised by the Administration, in response to members' concerns, HA has contacted the management companies of the 23 HOS courts to reiterate its position. Background information has also been provided for easy reference by the management companies and Incorporated Owners. HA has been taking and will continue to take measures against divested property owners to ensure that the properties remain subject to the split-ratio covenant upon transfer of ownership.⁶
- 64. To ensure the compliance with relevant legal requirements, land lease conditions and restrictive covenants by Link and the subsequent buyers, the Administration has been strongly urged to review the current mechanism and put in place effective measures to monitor Link and the subsequent buyers proactively, including setting up an inter-departmental taskforce by the Administration to conduct regular inspections on divested properties. According to the Administration, given that a regulatory mechanism has already been in place, the Administration has no plan to set up an inter-departmental taskforce to monitor and inspect commercial facilities of a particular owner/type of private

Reference may be made to the Memorandum for the Commercial Properties Committee of HA relating to "Split-ratio covenant between the Hong Kong Housing Authority and owners of divested properties" for details:

 $[\]underline{http://www.housingauthority.gov.hk/en/common/pdf/about-us/housing-authority/ha-paper-library/CPC18-\underline{18.pdf}$

properties. In fact, HA has so far handled five cases of suspected breaches of the welfare-letting covenants. Having been cautioned by HA, relevant owners have already addressed the problems.

Code on Real Estate Investment Trusts

65. A few members have pointed out that after the Code on Real Estate Investment Trusts ("REIT Code") has been amended by the Securities and Futures Commission ("SFC"), Link can adjust the investment portfolios through selling its assets and thus giving rise to its disposal of divested properties. These members find it necessary for the Administration to assess the impact of the amendments on the grass roots and the community. According to the Administration, REITs have the rights to sell their assets both before and after the amendments to REIT Code. The potential impact on the community that may arise from Link's property disposal is beyond the regulatory scope of SFC and/or REIT Code. The Administration has no plan to conduct a topical study on the influence of the amendments to REIT Code on the community and public housing residents. Notwithstanding, it will relay members' concern to SFC.

Buying back Link or divested properties

- 66. Given that the provision and management of divested properties have great impact on the daily life of the grass roots, the Administration has been urged to listen to the views at the district level so as to understand how Link's further disposal of divested properties has affected the residents and shop tenants. Some members have strongly urged the Administration to implement effective measures to avoid further sale of HA's divested properties by Link and the subsequent buyers, such as buying back Link or individual divested properties. On buying back Link, some members consider that Link should offer HA a right of first refusal in the event that it wishes to sell divested retail and carparking facilities.
- 67. The Administration has confirmed that the Government and HA have no plan to buy back link or individual divested properties. Given that Link has a market value of about \$160 billion, a buy back is incompatible with public interest and the principle of prudent financial management. If the market learns of the Government's intention to buy back Link, it is possible that the prices of the assets will go up drastically and institutional investors will readily pocket the profit, reaping benefits at the expense of public coffers. In addition, as Link is governed by its Trust Deed, REIT Code, and relevant legislation which contain provisions protecting the interest of shareholders, it will not be able to alter the mode of operation of Link even if the Administration or HA acquires a substantial amount of fund units of Link. Under the prevailing situation of tight

housing supply, the Administration and HA will concentrate its resources on meeting the demand for public housing.

68. Notwithstanding the Administration's explanation, members remain unconvinced that a buy-back is incompatible with public interest. They are of strong views that buying back Link or individual divested retail and carparking facilities can better serve the interests of the public. As Link and the subsequent buyers have ignored the needs of the grass roots, a buy-back is necessary to change the operation mode of the divested properties to ensure the needs of public housing residents can be met. Moreover, taking into account the huge fiscal reserve, a buy-back is a feasible option. Other members have also strongly urged the Administration to proactively explore feasible measures to alleviate the impact of divested properties on the livelihood of the grass roots.

Recommendations

69. The Subcommittee urges the Administration to consider members' views and concerns as mentioned in the foregoing paragraphs, particularly the suggestion of buying back Link or individual divested properties. The Subcommittee also recommends that the Administration should:

Divested retail and carparking facilities

- (a) review HA's roles and duties under section 4(1) of the Housing Ordinance to ensure continued provision of suitable and adequate retail and carparking facilities in divested properties;
- (b) set up an inter-departmental taskforce to conduct regular inspections on divested retail and carparking facilities to ensure the proper execution of the relevant legal documents by Link and the subsequent buyers, and take actions as HA may deem necessary in the event of any non-compliance;
- (c) publicize the existing complaint channels to public housing residents against suspected breaches of land lease conditions regarding divested facilities;
- (d) formulate a mechanism to monitor the operation of divested facilities by Link and the subsequent buyers, with a view to bringing a better-quality and more comprehensive service to the residents;

- (e) encourage Link and the subsequent buyers to foster an open dialogue with the commercial tenants to see how their concerns can be addressed;
- (f) proactively approach the new buyers after learning of Link's intention to sell the relevant facilities and explain to them their management responsibilities and corporate social responsibility;
- (g) provide consultation and support services to sitting shop tenants and NGOs after learning of Link's intentions to sell the relevant facilities:
- (h) explore measures to protect the interests of small proprietors to avoid monopoly of Link and the subsequent buyers;
- (i) encourage Link and the subsequent buyers to charge NGOs renting through commercial leasing arrangements concessionary rent;
- (j) allow carpark operators greater flexibility in allocating spaces for different types of vehicles according to market conditions and demand;
- (k) clearly carve out estate common areas to minimize potential management problems;
- (l) maintain continued communication with Link and the subsequent buyers in the management and maintenance of the common areas in public housing estates or courts with a view to improving the living environment of the residents;
- (m) invite Link and the subsequent buyers to attend meetings of the Estate Management Advisory Committee as necessary to listen to residents' views on their services so as to improve the quality of services;
- (n) encourage stakeholders to offer views to Link and the subsequent buyers so that they can better understand the concerns of the residents and the public when formulating their business strategies;
- (o) conduct thematic study on the social impact caused by changes in the operation mode and ownership of the divested properties and explore feasible measures to alleviate the impact of divested properties on the livelihood of the grass roots;

Retail and carparking facilities under HA

- (p) conduct detailed analysis on how to enhance its newly completed and existing non-divested retail and carparking facilities in public housing;
- (q) explore new avenues for providing more shopping choices and a variety of services to public housing estates and the community, such as making use of idle spaces in public housing estates to provide retail facilities, making use of estate common areas for setting up bazaars;
- (r) review the usage of its non-domestic properties periodically, identify new opportunities, enhance the potential of these facilities and improve the business environment in order to meet the needs of the residents and ensure the best use of resources;
- (s) ensure adequate provision of welfare, education, transport and retail facilities when residents move in newly completed public housing developments;
- (t) specifically stipulate in HKPSG that markets must be provided in new public housing developments, and take forward the planning and construction of new public markets expeditiously;
- (u) put in place mechanism(s) such as setting up a committee to handle complaints that may be lodged by stall operators against single operators;
- (v) review the letting arrangements for SOMs regularly and adopt specific measures to enhance the protection of stall operators and the monitoring of single operators;
- (w) take into account of local views and deploy resources on improving the conditions inside existing public markets, including reprovisioning, reconfiguration and upgrading of facilities, etc.;
- (x) modernize the operation and management of existing markets, and abolish single-operator letting arrangement for all HA's markets in the long run;
- (y) closely monitor the demand and supply of parking spaces for various types of vehicles in public housing estates and review HKPSG as appropriate;

- (z) increase the provision of parking spaces through more efficient use of newly developed residential sites, reduction of the overall vacancy rate of private car parking spaces, construction of underground multi-storey carparks, etc; and
- (aa) map out the way forward for HA's management of commercial properties, and establish a long-term strategy for optimizing the use of its existing commercial portfolio.

Advice sought

70. Members are invited to note the work and support the recommendations of the Subcommittee.

Council Business Division 4
<u>Legislative Council Secretariat</u>
2 January 2019

Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates

Terms of reference

To study and compare the service provision (including various aspects such as the leasing mix, diversity of services, rental level, commodity prices, suitability of services and vacancy rate) in shopping centres, markets and carparks in public rental housing ("PRH")/Home Ownership Scheme ("HOS") estates run publicly (by the Housing Department) and privately (by Link or disposed of by Link), and the level of impact of different operation modes on the grass roots living in PRH or HOS estates; and to review, on this basis, whether the Hong Kong Housing Authority can duly discharge its duties to secure the provision of housing and such amenities ancillary thereto as that Authority thinks fit as stipulated under section 4(1) of the Housing Ordinance (Cap.283).

Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates

Membership list*

Chairman Hon Jeffrey LAM Kin-fung, GBS, JP

Deputy Chairman Hon HO Kai-ming

Members Hon James TO Kun-sun

Hon LEUNG Yiu-chung

Hon Mrs Regina IP LAU Suk-yee, GBS, JP

Hon Paul TSE Wai-chun, JP

Hon Claudia MO

Hon Frankie YICK Chi-ming, SBS, JP

Hon YIU Si-wing, BBS Hon CHAN Chi-chuen

Hon CHAN Han-pan, BBS, JP

Hon LEUNG Che-cheung, SBS, MH, JP Hon Alice MAK Mei-kuen, BBS, JP

Dr Hon KWOK Ka-ki

Hon KWOK Wai-keung, JP Hon Dennis KWOK Wing-hang

Dr Hon Fernando CHEUNG Chiu-hung Dr Hon Elizabeth QUAT, BBS, JP

Ir Dr Hon LO Wai-kwok, SBS, MH, JP

Hon Andrew WAN Siu-kin

Hon CHU Hoi-dick

Dr Hon Junius HO Kwan-yiu, JP Hon Holden CHOW Ho-ding

Hon SHIU Ka-fai Hon SHIU Ka-chun

Hon Wilson OR Chong-shing, MH

Hon YUNG Hoi-yan Dr Hon Pierre CHAN

Hon CHEUNG Kwok-kwan, JP

Hon LAU Kwok-fan, MH Dr Hon CHENG Chung-tai Hon KWONG Chun-yu Hon Jeremy TAM Man-ho Hon Gary FAN Kwok-wai Hon AU Nok-hin Hon Tony TSE Wai-chuen, BBS

(Total: 36 members)

Clerk Ms Angel WONG

Legal Adviser Mr Cliff IP

Date 3 July 2018

^{*} Changes in membership are shown in Annex to Appendix II.

Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates

Changes in membership

Member	Relevant date
Hon Tanya CHAN	Up to 8 January 2018
Hon Alvin YEUNG	Up to 15 January 2018
Hon Kenneth LEUNG	Up to 21 January 2018
Hon Charles Peter MOK, JP	Up to 30 January 2018
Dr Hon Helena WONG Pik-wan	Up to 31 January 2018
Hon WU Chi-wai, MH	Up to 7 February 2018
Hon LAM Cheuk-ting	Up to 12 March 2018
Hon IP Kin-yuen	Up to 18 March 2018
Hon AU Nok-hin	Since 22 March 2018
Hon Tony TSE Wai-chuen, BBS	Since 22 March 2018
Hon Abraham SHEK Lai-him, GBS, JP	Up to 27 March 2018
Hon Jimmy NG Wing-ka, JP	Up to 27 March 2018
Hon CHAN Chun-ying, JP	Up to 28 March 2018
Hon LUK Chung-hung, JP	Up to 10 May 2018
Hon Gary FAN Kwok-wai	Since 25 May 2018
Hon HUI Chi-fung	Up to 26 June 2018

Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates

List of deputations/individuals which/who have given oral representation to the Subcommittee

Deputations

- 1. Centre for Social Policy Studies, The Hong Kong Polytechnic University
- 2. Chinese Grey Power
- 3. Ching Ho Planning Group
- 4. Civic Passion
- 5. Democracy Groundwork
- 6. Democratic Alliance for the Betterment and Progress of Hong Kong
- 7. Hong Kong Normal Teenagers
- 8. Hong Kong Pro-Democrats Carpark Concern Alliance
- 9. Labour Party
- 10. Liberal Party
- 11. New People's Party
- 12. NGO 關注領展租約小組
- 13. Professional Power
- 14. Public Transportation Think Tank of Hong Kong
- 15. The Civic Party
- 16. The Link Watch
- 17. The Young Civic
- 18. Tsz Lok Estate Resident Association
- 19. Tsz Wan Shan Market Residents Concern Group
- 20. 公共服務產業化關注組
- 21. 天水圍民生關注平台
- 22. 北區基層權益聯盟
- 23. 石硤尾街市商戶權益關注組
- 24. 回購領展研究社
- 25. 竹園街市關注組
- 26. 社區發展陣線
- 27. 長沙灣街市規劃關注組
- 28. 香港民主民生協進會
- 29. 追究領滙企業社會責任關注組
- 30. 啟晴邨居民協會
- 31. 慈雲山建設力量
- 32. 新民黨青年委員會

- 33. 照顧者關注組
- 34. 監察公營街市發展聯盟
- 35. 穗禾苑業主立案法團
- 36. 關注基滙資本陣線

Individuals

- 37. Miss Biddy KWOK
- 38. Miss Carman NG Ka-yan
- 39. Miss CHAN Po-ying
- 40. Miss Dana LAU
- 41. Miss HUI Wun-wun
- 42. Miss Lorna HO
- 43. Miss Pauline LEUNG
- 44. Miss Tiffany YUEN Ka-wai
- 45. Miss WONG Nga-man
- 46. Mr Arthur CHEUNG
- 47. Mr CHENG Kam-mun
- 48. Mr CHEUNG Pak-yuen
- 49. Mr CHOW Yuen-wai
- 50. Mr Kenny LAI
- 51. Mr LAI Wai-tong
- 52. Mr LAW Kin-kan
- 53. Mr LEUNG Ho-kai
- 54. Mr LEUNG Kwok-hung
- 55. Mr LEUNG Yat-long
- 56. Mr LUI Man-kwong
- 57. Mr TAM Wing-yin
- 58. Mr TANG Man-kit
- 59. Mr Victor CHAN
- 60. Mr Victor KWONG Man-tik
- 61. Mr WONG Heung-yin
- 62. Mr WONG Ho-ming
- 63. Mr WU Chi-kin
- 64. Mr YAM Kai-bong
- 65. Mr YEUNG Yuk
- 66. Ms CHAN Man-kuen
- 67. Ms Joan LEE Tsui-king
- 68. Ms Judy CHAN
- 69. Ms LO Siu-lan
- 70. Ms Susanna CHUI
- 71. 何少聰
- 72. 陳穎欣

- 73. 趙志輝先生
- 74. 黎嘉駿先生
- 75. 黎錦秀女士

List of deputations/individuals which/who have provided written views to the Subcommittee

- 1. Evangelical Lutheran Church Social Service Hong Kong
- 2. Gaw Capital
- 3. Mr WONG Bing-kuen
- 4. Mr MA Wai-piu
- 5. 香港街市關注組(Submission restricted to members only)

Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates

Motions passed at the meeting

Meeting Date	Motion	
26 March 2018	Planning of commercial and social welfare facilities in new public housing estates	
	(1) The provision of social worker teams for residents of new public housing estates, which is a much needed service before and after their intake, is not a regular service provided by the Government. Social service agencies ("the agencies") are not allocated with premises in new public housing developments (including On Tat Estate, Shui Chuen O Estate and Hung Fuk Estate etc.). Moreover, these agencies lack long-term funding for service provision and their frontline social workers lack long-term and stable premises for service delivery. In this connection, this Subcommittee urges the Government: (a) to set up an inter-departmental working group (including the Education Bureau, Housing Department, Social Welfare Department and Home Affairs Department) to formulate social welfare plans for residents of new public housing estates and draw up relevant staffing	
	establishment based on the population of new public housing estates; (b) to regularize the services provided by social worker teams, allocate service units, and arrange regular tripartite meetings among social worker teams, the Housing Department and the property	
	management companies, so as to enhance the effectiveness of the social services to support residents of new public housing estates; and (c) to regularize and extend the existing short-term funding schemes of two-to-three years to six	
	years, so as to allow sufficient time for the agencies to help residents adapt to the new environment.	

Meeting Date	Motion	
	(2) This Subcommittee urges the Government:	
	(a) to ensure the effective enforcement of section (4)(1) of the Housing Ordinance for the provision of proper retail facilities to public rental housing ("PRH") residents;	
	(b) to request the Transport and Housing Bureau to prepare a research report regarding the impact of relaxing the "Code on Real Estate Investment Trusts" by the Securities and Futures Commission on the communities of PRH, sold PRH and the Home Ownership Scheme ("HOS") housing, so as to avoid residents therein being influenced by Real Estate Investment Trusts' divestment of shopping centres and car parks in public housing estates; and	
	(c) to re-examine the use of land of the Housing Authority and the possibility of suitably relaxing the restrictions to business operation in sold PRH and HOS housing, so as to break the situation in which the retail activities in the community being monopolized by LINK and speculators through shopping centres.	
9 July 2018	Operation of shopping centres in public housing/Operation of markets in public housing/Operation of carparks in public housing	
	(3) This subcommittee requests the Government to ensure that the split-ratio covenant ("covenant") on the maintenance and repair costs for common areas has been duly fulfilled by owners of divested properties of the Hong Kong Housing Authority ("HA") (i.e. Link, Gaw Capital etc.), including:	
	(a) formulating guidelines to ensure that the covenant has been duly fulfilled;	
	(b) recovering the maintenance and repair costs of common areas in Home Ownership Scheme	

Meeting Date	Motion	
	Estates and sold PRH Estates by HA, if such costs have not been shared according to the covenant; and	
	(c) imposing penalties through administrative and legal means, if owners of divested HA properties were found to have breached the covenant.	
	(4) This subcommittee urges the Government to consider implementing the following measures to ensure the continued provision of suitable community facilities to the residents of Public Rental Housing Estates and Home Ownership Scheme Estates, including:	
	(a) ceasing the contract-out arrangements for shopping centres, markets and car parks, repossessing such facilities and placing them under the direct management of the Hong Kong Housing Authority;	
	(b) setting up a task force to monitor and follow up the management problems of divested facilities;	
	(c) building more public markets and setting up bazaars to introduce competition to counteract the dominance of Link and contractors; and	
	(d) reinstating the criteria laid down in the pre-2009 version of the Hong Kong Planning Standards and Guidelines (i.e. one public market stall should be provided for every 55 to 65 households or approximately 40 to 45 stalls per 10 000 persons), and categorizing "markets" into "community facilities" instead of the current category of "retail facilities".	

Meeting Date	Motion	
30 October 2018	Practical solutions to issues relating to the divested retail and carparking facilities in public housing estates; and the suggestion of buying back Link	
	("HA") and the Housing Department ("HD") to set up a taskforce and a mechanism to ensure that Link and the subsequent buyers will fulfill their obligation to comply with all the restrictive covenants (including welfare-letting covenants, split-ratio covenants, etc.) contained in the assignment deeds signed between HA and The Link (the former entity of Link) in 2005, which require Link and the subsequent buyers to share the management and maintenance costs of the common areas in the relevant housing estates; and that HA and HD will continue to monitor whether Link and the subsequent buyers are in compliance with the deeds, so as to protect the interests of the residents.	