

**Memorandum for the Subsidised Housing Committee of
the Hong Kong Housing Authority**

**Management Fees for Home Ownership Scheme Court
Yu Nga Court**

PURPOSE

This paper seeks Members' approval of the proposed monthly management fees payable by the owners of Yu Nga Court^{Note 1}, a new Home Ownership Scheme (HOS) court.

RECOMMENDATION

2. Members are recommended to approve –
 - (a) the proposed monthly management fees payable by the owners of Yu Nga Court (**paragraph 5**); and
 - (b) the proposed declassification of this paper (**paragraph 9**).

BACKGROUND

3. The Housing Authority (HA) is the developer of Yu Nga Court (hereinafter called “the Court”). Particulars of the Court are as follows –

Note 1 Yu Nga Court has been included in the “Sale of HOS Flats 2022”.

Court (District)	Number of Residential Blocks/Units (Allotted with Management Shares)	HA Accommodation (Allotted with Management Shares within the Lot)	Estimated Material Date ^{Note 2}
Yu Nga (Tung Chung)	6/3 300	<ul style="list-style-type: none">• Educational Areas• associated areas for HA Accommodation• Parking Areas• Commercial Areas	9/2022

CALCULATION OF MANAGEMENT FEES

4. Management fees for HOS court are charged on an at-cost basis to cover the total monthly operating expenses ^{Note 3}. The management fee of each unit of an HOS court is determined by apportioning the total estimated expenses in proportion to the management shares allocated to that unit according to the Deed of Mutual Covenant (DMC) to be executed by HA and the first purchaser of the court. This is made in accordance with the guidelines drawn up by the Legal Advisory and Conveyancing Office (LACO) of the Lands Department.

Note 2 In the case of HOS developments, the “material date” refers to the date on which the Development is completed in all respects in compliance with the approved building plans. For details of the definition of “material date”, please refer to section 2 of the Residential Properties (First-hand Sales) Ordinance.

Note 3 Pursuant to the provisions of the Lease and the Deed of Mutual Covenant (DMC) of the Court, HA shall be the initial DMC Manager of the new HOS Court for the first two years till the Owners’ Corporation has been formed to take over the management of the Court. DMC also empowers HA as the DMC Manager to appoint and employ any suitably qualified company to carry out the management, maintenance and operational duties over this initial period. In line with the prevailing arrangement applicable to all HOS Courts with HA as the DMC Manager, HA will levy a supervision cost which is calculated on a full cost recovery basis. The supervision cost for 2022/23 is fixed at \$28.90 per unit per month.

PROPOSED MANAGEMENT FEES

5. The estimated monthly operating expenses for management of the Court to be shared by all owners are shown in **Annex A** and the proposed monthly management fees ^{Note 4} of the Court are set out in **Annex B**. The proposed monthly management fees payable by the flat owners of the Court are as follows –

Court	Number of Blocks/Units	Proposed Management Fees (Unit/Month)
Yu Nga	6/3 300	\$427 to \$866

6. The proposed monthly management fees payable by HA as the owner of the HA Accommodation (viz. Educational Areas, associated areas for HA Accommodation, Parking Areas and Commercial Areas) for contribution to the expense of the Estate Common Areas and Facilities (ECA) of the Court are fixed at \$13,341 (**Annex B** refers). In addition, HA will separately appoint its own Property Services Agent (PSA) to manage the HA Accommodation in the Court.

FINANCIAL, STAFFING AND INFORMATION TECHNOLOGY (IT) IMPLICATIONS

7. The management fees will be collected and deposited to the operating accounts of the Court. The financial implications to HA arising from HA's contributions to the expenses of ECA as the owner of the HA Accommodation are considered reasonable. There is no additional staffing implication arising from the proposal as the workload involved in calculating management fees and monitoring PSA's performance will be absorbed by the existing staff. There is no IT implication arising from the proposal.

Note 4 To be valid for two years commencing from the date of DMC of the Court.

PUBLIC REACTION

8. The calculation of management fees of the Court is in accordance with provisions in the DMC and based on the estimated operating expenses by making reference to the awarded tender price submitted by the PSA which reflects the prevailing market situation. This is made in accordance with the guidelines drawn up by the LACO of the Lands Department. As the management fees for the Court are in line with the prevailing arrangement applicable to all HOS courts, we do not anticipate adverse reaction from flat owners of the Court.

DECLASSIFICATION

9. We propose this paper be declassified upon Members' approval of the proposal. Upon declassification, this paper will be made available to the public on the HA website, the Departmental Library and through the Departmental Access to Information Officer.

PRESUMPTION

10. If no objection or request for discussion is received **by noon on 30 May 2022**, Members' approval of recommendations in **paragraph 2** above will be presumed and follow up actions will be taken.

Lennon WONG
Secretary, Subsidised Housing Committee
Tel. No.: 2761 5033
Fax No.: 2761 0019

File Ref. : HD 3-8/SAU/H/3/3/2
(Estate Management Division)
Date of Issue : 16 May 2022

Estimated Monthly Operating Expenses
Yu Nga Court

(A) <u>Type of Accommodation</u>	<u>No. of Management Shares</u>
<u>Residential Blocks</u>	
Number of Blocks	6
Type of Blocks	Non-standard Block
Number of Units	3 300
Number of Residential Storeys	Block A – 30, Block B – 30, Block C – 30, Block D – 30, Block E – 30, Block F – 30
	185 880
<u>HA Accommodation</u>	
Educational Areas	1 531
associated areas for HA Accommodation	770
Parking Areas	12 790
Commercial Areas	1 793
TOTAL	202 764
(B) <u>Contribution to Expenses of Estate Common Areas and Facilities (ECA) by All Owners</u>	
Monthly Expenses of ECA	\$
(1) Operating Cost to be incurred by Property Services Agent (PSA) from tender ^{Note 1}	
(i) Fixed Cost ^{Note 2}	3,546.51
(ii) Reimbursement Cost ^{Note 3}	129,189.84
<u>Sub-total of Operating Cost</u>	132,736.35
(2) Add : HA's Supervision Cost ^{Note 4}	47.68
(3) Sub-total : (1) + (2)	132,784.03
(4) Add : Contingency at 5% of (3) ^{Note 5}	6,639.20
(5) Add : Legal Fees at 5% of (3) ^{Note 6}	6,639.20
(6) Add : Reserve for Accumulated Fund at 10% of (3) ^{Note 7}	13,278.40
(7) Total : (3) + (4) + (5) + (6)	159,340.83
Average expenses of ECA per month per management share = \$159,340.83 ÷ 202 764 shares	0.79

Estimated Monthly Operating Expenses Yu Nga Court

(C) Contribution to Expenses of Residential Blocks Common Areas and Facilities (RCA) by Residential Owners

Monthly Expenses of RCA	\$
(1) Operating Cost to be incurred by Property Services Agent (PSA) from tender ^{Note 1}	
(i) Fixed Cost ^{Note 2}	32,769.00
(ii) Reimbursement Cost ^{Note 3}	1,537,833.00
Sub-total of Operating Cost	1,570,602.00
(2) Add : HA's Supervision Cost ^{Note 4}	95,322.32
(3) Sub-total : (1) + (2)	1,665,924.32
(4) Add : Contingency at 5% of (3) ^{Note 5}	83,296.22
(5) Add : Legal Fees at 5% of (3) ^{Note 6}	83,296.22
(6) Add : Reserve for Accumulated Fund at 10% of (3) ^{Note 7}	166,592.43
(7) Total : (3) + (4) + (5) + (6)	1,999,109.19
 Average expenses of RCA per month per management share = \$1,999,109.19 ÷ 185 880 shares	10.75

Note 1 Based on PSA's tender submission.

Note 2 Comprising Property Management Agent's Remuneration and Headquarters Staff/Administration Cost.

Note 3 Comprising On-site Management/Technical Staff, Security, Cleansing, Maintenance & Repairs (including Landscaping), Electricity, Water, Audit Fee, Insurance, Stores, Stationery & Uniform, Cost of Towing and Miscellaneous.

Note 4 The supervision cost levied by HA for 2022/23, based on a full cost recovery principle, is \$28.90 per unit per month, with 0.05% to be charged under ECA and the remaining 99.95% under RCA.

Note 5 Contingency provisions.

Note 6 Legal Fees for daily management/services.

Note 7 Saving to the Accumulated Fund for healthy financial situation.

Proposed Monthly Management Fees
Yu Nga Court

(I) Residential Blocks (Contribution to expenses of ECA and RCA: = \$0.79/share + \$10.75/share = \$11.54/share)				
Block	Floor	Unit No.	No. of Management Shares for Each Unit	Monthly Management Fees for Each Unit #
A	1/F - 30/F	15, 18, 19	37	\$427
	1/F - 30/F	5, 6, 7, 8, 9, 11, 12	50	\$577
	1/F - 30/F	1, 4, 10, 13, 14	59	\$681
	1/F - 30/F	2, 3	74	\$854
	1/F - 30/F	16, 17	75	\$866
B	1/F - 30/F	15, 18, 19	37	\$427
	1/F - 30/F	5, 6, 7, 8, 9, 11, 12	50	\$577
	1/F - 30/F	1, 4, 10, 13, 14	59	\$681
	1/F - 30/F	2, 3	74	\$854
	1/F - 30/F	16, 17	75	\$866
C	1/F - 30/F	15, 18, 19	37	\$427
	1/F - 30/F	5, 6, 7, 8, 9, 11, 12	50	\$577
	1/F - 30/F	1, 4, 10, 13, 14	59	\$681
	1/F - 30/F	2, 3	74	\$854
	1/F - 30/F	16, 17	75	\$866
D	1/F - 30/F	15, 18, 19	37	\$427
	1/F - 30/F	5, 6, 7, 8, 9, 11, 12	50	\$577
	1/F - 30/F	1, 4, 10, 13, 14	59	\$681
	1/F - 30/F	2, 3	74	\$854
	1/F - 30/F	16, 17	75	\$866
E	1/F - 30/F	6, 7	37	\$427
	1/F - 30/F	1, 2, 13, 17	50	\$577
	1/F - 30/F	12	51	\$589
	1/F - 30/F	10	58	\$670
	1/F - 30/F	3, 8, 11, 16	59	\$681
	1/F - 30/F	4, 9, 14, 15	74	\$854
	1/F - 30/F	5	75	\$866

Proposed Monthly Management Fees
Yu Nga Court

Block	Floor	Unit No.	No. of Management Shares for Each Unit	Monthly Management Fees for Each Unit #
F	1/F - 30/F	1, 2	37	\$427
	1/F - 30/F	6, 7, 8, 12	50	\$577
	1/F - 30/F	13	51	\$589
	1/F - 30/F	15	58	\$670
	1/F - 30/F	5, 9, 14, 17	59	\$681
	1/F - 30/F	4, 10, 11, 16	74	\$854
	1/F - 30/F	3	75	\$866
<p>Average management fees for residential unit = $\\$11.54 \times 185\,880 \text{ Shares} \div 3\,300 \text{ Units} = \\650.02 Say \$651 # per residential unit</p>				
<p>(II) HA Accommodation (Contribution to expenses of ECA: \$0.79/share)</p>				
			No. of Management Shares	Monthly Management Fees #
Educational Areas			1 531	\$1,210
associated Areas for HA Accommodation			770	\$609
Parking Areas			12 790	\$10,105
Commercial Areas			1 793	\$1,417
Sub-total :			16 884	\$13,341

Rounded up to the nearest dollar.