

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

**Management Fees for Home Ownership Scheme Courts and
Green Form Subsidised Home Ownership Pilot Scheme Flats
Mei Pak Court, Sheung Chui Court and King Tai Court**

PURPOSE

This paper seeks Members' approval on the proposed management fees for two new Home Ownership Scheme (HOS) Courts comprising Mei Pak Court and Sheung Chui Court, which were offered for sale under the scheme of "Sale of Home Ownership Scheme Flats 2014"^{Note 1}; and King Tai Court which was offered for sale under the scheme of "Sale of Green Form Subsidised Home Ownership Pilot Scheme (GSH) Flats"^{Note 2}.

RECOMMENDATION

2. Members are recommended to approve the following –

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- (a) the monthly management fees as shown at **Annex B (paragraph 5)**; and
 - (b) declassification of this paper (**paragraph 9**).

Note 1 The first batch of new HOS courts consists of five developments viz. Wang Fu Court, Mei Ying Court, Ching Chun Court, Mei Pak Court and Sheung Chui Court.

Note 2 In his 2015 Policy Address, the Chief Executive proposed to the Housing Authority that suitable flats should be identified among its public rental housing (PRH) developments under construction for sale to Green Form (GF) applicants in the form of a pilot scheme, with prices set at a level lower than those of HOS flats. This scheme will help GF applicants achieve home ownership while releasing more PRH flats for allocation to those on the waiting list for PRH.

BACKGROUND/COURT PARTICULARS

3. The Housing Authority (HA) has developed two HOS and one GSH projects. In the context of this Paper, GSH is treated on par with HOS in the ensuing paragraphs. Particulars of Mei Pak Court, Sheung Chui Court and King Tai Court (hereinafter called “the Courts”) are as follows –

Court	Residential Accommodation (Allotted with Management Shares)		Non-residential Properties (Allotted with Management Shares within the same Lot)	Anticipated Date of Completion
	Block Type	Number of Blocks/Flats		
Mei Pak	Non – standard Block	1/288	17 Car Parking Spaces 3 Motor Cycle Parking Spaces Space Reserved for Carpark Facilities 1 Kiosk for Carpark Management	Dec 2016
Sheung Chui	Non – standard Block	3/962	57 Car Parking Spaces 9 Motor Cycle Parking Spaces 1 Day Care Centre for The Elderly 4 Spaces for the Parking and Loading and Unloading of Light Goods Vehicles Open Areas	Jan 2017
King Tai	Non – standard Block	1/857	20 Car Parking Spaces 2 Light Goods Vehicle Parking Spaces 8 Motor Cycle Parking Spaces Space Reserved for Carpark Facilities 1 Kiosk for Carpark Management 2 Shops 1 Supported Hostel for Mentally Handicapped Persons	Jan 2017

CALCULATION OF MANAGEMENT FEES

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

PROPOSED MANAGEMENT FEES

5. The estimated operating expenses for the management of the Courts to be shared by all owners are shown at **Annex A** and the proposed monthly management fees^{Note 4} are at **Annex B**. For the residential units, the proposed monthly management fees of the Courts are as follows –

Court	Number of Blocks/Flats	Proposed Management Fees (\$/Flat/Month)
Mei Pak	1/288	1,114 to 1,349
Sheung Chui	3/962	684 to 794
King Tai	1/857	273 to 716

Note 3 Pursuant to the provisions of the Lease and DMC of Mei Pak Court, Sheung Chui Court and King Tai Court, HA shall be appointed as the Manager to manage each of these Courts for a contract period of 24 months commencing from the date of DMC execution or until the incorporation of the Owners' Corporation (OC), whichever is the earlier. The DMC also empowers HA as the DMC Manager to engage suitably qualified company to carry out the management, maintenance and operational duties. In line with the prevailing arrangement applicable to all HOS courts where HA is the DMC Manager, HA will levy \$28 per flat per month as supervision cost, the calculation of which is on a full cost recovery basis.

Note 4 The management fees proposed are valid for two years commencing on the date of DMC execution of respective Courts.

FINANCIAL, STAFFING AND INFORMATION TECHNOLOGY (IT) IMPLICATIONS

6. The management fees will be deposited to the operating accounts of the Courts. The financial implications to HA arising from the proposed management fees in respect of Carparks, Commercial Premises and Government Accommodation ^{Note 5} in these Courts are immaterial. The additional work arising from the calculation of management fees and monitoring Property Services Agents' performance will be absorbed by the existing staff resources. IT implication including creation of additional cost centres is minimal.

LEGAL IMPLICATIONS

7. There are no legal implications.

PUBLIC REACTION/PUBLICITY

8. The calculation of management fees of the Courts is based on the estimated operating expenses in accordance with the provisions in DMCs and the sums reflect the prevailing market situation. There is unlikely to be any adverse reaction from flat owners of the Courts.

DECLASSIFICATION

9. This paper will be declassified upon Members' approval of the recommendation in **paragraph 2** above. The paper will be made available to the public at the Housing Department (HD)'s library, HA/HD Website and through the Departmental Access to Information Officer upon its declassification.

Note 5 Government Accommodation (GA) in Sheung Chui Court comprises a Day Care Centre for the Elderly, four spaces for the parking and loading and unloading of light goods vehicles and open areas while that in King Tai Court comprises a Supported Hostel for Mentally Handicapped Persons.

PRESUMPTION

10. It is not thought that Members will object to the recommendation in **paragraph 2** above. If no objection or request for discussion is received by the Committees' Secretary **by noon on 10 November 2016**, Members' approval will be presumed and appropriate actions will be taken.

Lennon WONG
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(Estate Management Division)
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**Estimated Monthly Operating Expenses
Mei Pak Court**

(A) <u>Type of Accommodation</u>	No. of Management Shares Allotted
<u>Residential Accommodation</u>	
Number of Blocks	1
Type of Blocks	Non-standard Block
Number of Flats	288
Number of Residential Storeys	32
	} 17 309
 <u>HA Accommodation</u>	
Parking Spaces	234
Space Reserved for Carpark Facilities	2
Kiosk for Carpark Management	3
TOTAL	17 548

**(B) Contribution to Expenses of Estate Common Areas and Facilities
(ECA) by All Owners**

Monthly Expenses of ECA	\$
* (1) Operating Cost to be incurred by Property Services Agent (PSA)	
(i) Fixed Cost	
PMA Remuneration	1,540.00
Headquarters Staff/Administration Cost	2,267.00
(ii) Reimbursement Cost	
On-site Management/Technical Staff	7,361.20
Security	13,006.00
Cleansing	5,313.00
Maintenance & Repairs (including landscaping)	154.00
Electricity	1,540.00
Water	92.40
Audit Fee	77.00
Insurance	487.48
Stores, Stationery & Uniform	154.00
Miscellaneous	154.00
Sub-total of Operating Cost	32,146.08
(2) Add : HA's Supervision Cost**	4.03
(3) Sub-total: (1) + (2)	32,150.11
(4) Add : Contingency at 5% of (3)	1,607.51
(5) Total : (3) + (4)	33,757.62

Average management fees per month per management share
= \$33,757.62 ÷ 17 548 shares 1.92

Estimated Monthly Operating Expenses Mei Pak Court

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

Monthly Expenses of RCA	\$
* (1) Operating Cost to be incurred by Property Services Agent (PSA)	
(i) Fixed Cost	
PMA Remuneration	9,460.80
Headquarters Staff/Administration Cost	23,693.76
(ii) Reimbursement Cost	
On-site Management/Technical Staff	45,218.88
Security	185,495.04
Cleansing	49,135.68
Maintenance & Repairs (including landscaping)	947.52
Electricity	9,460.80
Water	567.36
Audit Fee	472.32
Insurance	2,995.20
Stores, Stationery & Uniform	947.52
Miscellaneous	947.52
<u>Sub-total of Operating Cost</u>	<u>329,342.40</u>
(2) Add : HA's Supervision Cost**	8,059.97
(3) Total : (1) + (2)	<u>337,402.37</u>

Average management fees per month per management share
= \$337,402.37 ÷ 17 309 shares 19.49

* Based on PSA's tender amount.

** Members have been informed vide Paper No. SHC 5/2016 that the supervision cost levied by HA for 2016/17, based on full cost recovery basis, is at \$28 per flat per month.

Estimated Monthly Operating Expenses Sheung Chui Court

(A) <u>Type of Accommodation</u>	<u>No. of Management Shares Allotted</u>
<u>Residential Accommodation</u>	
Number of Blocks	3
Type of Blocks	Non-standard Block
Number of Flats	962
Number of Residential Storeys	Blk A - 29 Storeys, Blk B - 34 Storeys, Blk C - 38 Storeys
	60 224
<u>HA Accommodation</u>	
Carpark	2 016
<u>Government Accommodation</u>	
Day Care Centre for the Elderly	1 285
4 Spaces for the Parking and Loading and Unloading of Light Goods Vehicles	92
Open Areas	1
TOTAL	63 618

(B) Contribution to Expenses of Estate Common Areas and Facilities (ECA) by All Owners

Monthly Expenses of ECA	\$
* (1) Operating Cost to be incurred by Property Services Agent (PSA)	
(i) Fixed Cost	
PMA Remuneration	763.35
Headquarters Staff/Administration Cost	305.34
(ii) Reimbursement Cost	
On-site Management/Technical Staff	10,333.72
Security	9,603.67
Cleansing	6,761.75
Maintenance & Repairs (including landscaping)	1,458.00
Electricity	6,412.14
Water	124.03
Audit Fee	89.06
Insurance	720.17
Stores, Stationery & Uniform	167.94
Cost of Towing	184.00
Miscellaneous	636.27
Sub-total of Operating Cost	37,559.44
(2) Add : HA's Supervision Cost**	13.47
(3) Sub-total: (1) + (2)	37,572.91
(4) Add : Contingency at 5% of (3)	1,878.65
(5) Total : (3) + (4)	39,451.56

Average management fees per month per management share
= \$39,451.56 ÷ 63 618 shares 0.62

Estimated Monthly Operating Expenses Sheung Chui Court

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

Monthly Expenses of RCA	\$
* (1) Operating Cost to be incurred by Property Services Agent (PSA)	
(i) Fixed Cost	
PMA Remuneration	9,735.44
Headquarters Staff/Administration Cost	3,896.10
(ii) Reimbursement Cost	
On-site Management/Technical Staff	131,803.62
Security	244,896.34
Cleansing	86,243.30
Maintenance & Repairs (including landscaping)	18,595.46
Electricity	81,789.24
Water	1,577.68
Audit Fee	1,135.16
Insurance	9,187.10
Stores, Stationery & Uniform	2,145.26
Miscellaneous	8,119.28
Sub-total of Operating Cost	599,123.98
(2) Add : HA's Supervision Cost**	26,922.53
(3) Total : (1) + (2)	626,046.51
 Average management fees per month per management share = \$626,046.51 ÷ 60 224 shares	10.40

* Based on PSA's tender amount.

** Members have been informed vide Paper No. SHC 5/2016 that the supervision cost levied by HA for 2016/17, based on full cost recovery basis, is at \$28 per flat per month.

**Estimated Monthly Operating Expenses
King Tai Court**

(A) <u>Type of Accommodation</u>	<u>No. of Management Shares Allotted</u>
<u>Residential Accommodation</u>	
Number of Blocks	1
Type of Blocks	Non-standard Block
Number of Flats	857
Number of Residential Storeys	32
	45 007
<u>HA Accommodation</u>	
HA Accommodation	675
<u>Government Accommodation</u>	
Supported Hostel for Mentally Handicapped Persons	501
TOTAL	46 183

(B) Contribution to Expenses of Estate Common Areas and Facilities (ECA) by All Owners

	\$
Monthly Expenses of ECA	
* (1) Operating Cost to be incurred by Property Services Agent (PSA)	
(i) Fixed Cost	
PMA Remuneration	3,750.00
Headquarters Staff/Administration Cost	7,000.00
(ii) Reimbursement Cost	
On-site Management/Technical Staff	16,775.00
Security	32,025.00
Cleansing	13,750.00
Maintenance & Repairs (including landscaping)	550.00
Electricity	4,125.00
Water	220.00
Audit Fee	275.00
Insurance	1,540.00
Stores, Stationery & Uniform	550.00
Miscellaneous	275.00
<u>Sub-total of Operating Cost</u>	80,835.00
(2) Add : HA's Supervision Cost**	12.00
(3) Less : Management and Maintenance Charges contributed by Sewage Pumping station [@]	200.00
(4) Sub-total : (1) + (2) - (3)	80,647.00
(5) Add : Contingency at 5% of (4)	4,032.35
(6) Total : (4) + (5)	84,679.35

Average management fees per month per management share
= \$84,679.35 ÷ 46 183 shares 1.83

Estimated Monthly Operating Expenses King Tai Court

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

Monthly Expenses of RCA	\$
* (1) Operating Cost to be incurred by Property Services Agent (PSA)	
(i) Fixed Cost	
PMA Remuneration	11,252.41
Headquarters Staff/Administration Cost	30,509.20
(ii) Reimbursement Cost	
On-site Management/Technical Staff	50,323.04
Security	166,472.25
Cleansing	65,997.57
Maintenance & Repairs (including landscaping)	1,654.01
Electricity	12,375.08
Water	659.89
Audit Fee	831.29
Insurance	4,627.80
Stores, Stationery & Uniform	1,628.30
Miscellaneous	831.29
<u>Sub-total of Operating Cost</u>	<u>347,162.13</u>
(2) Add : HA's Supervision Cost**	23,984.00
(3) Total : (1) + (2)	<u>371,146.13</u>
Average management fees per month per management share = \$371,146.13 ÷ 45 007 shares	8.25

* Based on PSA's tender amount.

** Members have been informed vide Paper No. SHC 5/2016 that the supervision cost levied by HA for 2016/17, based on full cost recovery basis, is at \$28 per flat per month.

@ According to the Government Lease, Financial Secretary Incorporated (F.S.I), for and on behalf of the Government, shall pay to the manager appointed in accordance with the Deed of Mutual Covenant (DMC), a fixed sum of \$200.00 per month starting from and inclusive of the date of the execution of the DMC and up to but exclusive of the date on which the construction of the Second Proposed Road is completed, which sum, shall be used by the manager as part of the management and maintenance cost in respect of the usage of the estate roads within the Lot by the Government.

**Proposed Monthly Management Fees
Mei Pak Court**

(I) Residential Accommodation (Contribution to expenses of ECA and RCA: = \$1.92/share + \$19.49/share = \$21.41/share)			
Floor	Flat No.	No. of Management Shares for Each Flat	Monthly Management Fees for Each Flat [#]
1/F - 32/F	2, 3	52	\$1,114
24/F - 32/F	5	52	\$1,114
1/F - 32/F	8	62	\$1,328
1/F - 23/F	5	63	\$1,349
1/F - 32/F	1, 4, 6, 7, 9	63	\$1,349
<p style="text-align: center;">Average management fees for residential unit = \$21.41 × 17 309 Shares ÷ 288 Flats = \$1,286.76 Say \$1,287[#] per residential unit</p>			
(II) HA Accommodation (Contribution to expenses of ECA: \$1.92/share)			
		No. of Management Shares	Monthly Management Fees [#]
Parking Spaces	}	239	459
Space Reserved for Carpark Facilities			
Kiosk for Carpark Management			

[#] Rounded up to the nearest dollar.

**Proposed Monthly Management Fees
Sheung Chui Court**

(I) Residential Accommodation (Contribution to expenses of ECA and RCA: = \$0.62/share + \$10.40/share = \$ 11.02/share)				
Block	Floor	Flat No.	No. of Management Shares for Each Flat	Monthly Management Fees for Each Flat [#]
A	1/F - 29/F	5, 6	72	\$794
	1/F - 29/F	1, 2, 3, 4	62	\$684
B	1/F - 34/F	1, 2, 3, 4, 5, 6, 7, 8 9, 10, 11, 12	62	\$684
C	1/F - 38/F	1, 2, 3, 4, 5, 6, 7, 8 9, 10	62	\$684
Average management fees for residential unit = \$11.02 × 60 224 Shares ÷ 962 Flats = \$689.88 Say \$690 [#] per residential unit				
(II) HA Accommodation (Contribution to expenses of ECA: \$0.62/share)				
			No. of Management Shares	Monthly Management Fees [#]
Carpark			2 016	\$1,250
(III) Government Accommodation (GA) (Contribution to expenses of ECA: \$0.62/share)				
			No. of Management Shares	Monthly Management Fees [#]
<ul style="list-style-type: none"> - Day Care Centre for the Elderly - 4 Spaces for the Parking and Loading and Unloading of Light Goods Vehicles - Open Areas 			} 1 378	\$855 ^Δ

[#] Rounded up to the nearest dollar.

^Δ According to the DMC, as from and including the date following the date of assignment of the GA to F.S.I., F.S.I. shall pay the monthly sum in respect thereof provided that the sum shall be as determined by the Government Property Agency or such other person nominated by the Director of Lands for this purpose in respect of the facilities and services which actually serve the GA or are used by the occupier thereof, its servants, contractors, agents or visitors but which liability shall not exceed the proportion that the number of management shares of the GA bears to the total number of management shares of the court. Before assignment of GA to F.S.I., HA being the owner of GA, shall make contributions for the GA.

**Proposed Monthly Management Fees
King Tai Court**

(I) Residential Accommodation (Contribution to expenses of ECA and RCA: = \$1.83/share + \$8.25/share = \$10.08/share)			
Floor	Flat No.	No. of Management Shares for Each Flat	Monthly Management Fees for Each Flat [#]
25/F - 32/F	5, 24	27	\$273
1/F - 24/F	5	28	\$283
1/F - 32/F	6	28	\$283
3/F - 32/F	23	28	\$283
2/F - 24/F	24	28	\$283
1/F - 24/F	4, 7	41	\$414
3/F - 24/F	22	41	\$414
2/F - 24/F	25	41	\$414
25/F - 32/F	4, 7, 22, 25	42	\$424
3/F - 32/F	12 [^] , 17 [^]	43	\$434
9/F - 32/F	13 [^] , 16 [^]	43	\$434
2/F	22	43	\$434
1/F - 32/F	2	56	\$565
3/F - 32/F	27	56	\$565
1/F - 32/F	3, 8, 9	57	\$575
2/F - 32/F	20, 21, 26	57	\$575
2/F	27	57	\$575
17/F - 18/F	11	58	\$585
1/F - 32/F	1	70	\$706
2/F - 32/F	28	70	\$706
1/F - 32/F	10	71	\$716
3/F - 32/F	14, 15, 18	71	\$716
2/F - 32/F	19	71	\$716
3/F - 16/F 19/F - 32/F	11	71	\$716
Average management fees for residential unit = \$10.08 × 45 007 Shares ÷ 857 Flats = \$529.37 Say \$529 ^{##} per residential unit			

[^] Including the Bay Window thereof.
[#] Rounded up to the nearest dollar.
^{##} Rounded off to the nearest dollar.

**Proposed Monthly Management Fees
King Tai Court**

(II) HA Accommodation (Contribution to expenses of ECA: \$1.83/share)		
	No. of Management Shares	Monthly Management Fees [#]
HA Accommodation	675	\$1,236
(III) Government Accommodation (Contribution to expenses of ECA: \$1.83/share)		
	No. of Management Shares	Monthly Management Fees [#]
Supported Hostel for Mentally Handicapped Persons (SHMHP)	501	\$917 [▲]

Rounded up to the nearest dollar.

▲ According to the DMC, as from and including the date of assignment of the SHMHP to F.S.I. or the date of taking possession of the SHMHP, whichever is the earlier, F.S.I. shall pay the monthly sum in respect thereof provided that the sum shall be as determined by the Government Property Agency or such other person nominated by the Director of Lands for this purpose in respect of the areas, facilities and services and the Items which directly serve or benefit the SHMHP or are used by the occupier thereof, its servants, contractors, agents or visitors but which liability shall not exceed the proportion that the number of management shares of the SHMHP bears to the total number of management shares of the court. Before assignment of SHMHP to F.S.I., HA being the owner of GA, shall make contributions for the SHMHP.