

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Commercial Properties Committee

Progress Report on the Work of the Letting Panel January - December 1997

PURPOSE

To inform Members of lettings by negotiation overseen by the Letting Panel in 1997.

BACKGROUND

2. The Letting Panel was formed in 1986 to oversee the letting of commercial premises by negotiation; its role was subsequently extended to cover management contracts. The Terms of Reference of the Letting Panel and Guidelines for Lettings by Negotiation are at **Annexes A and B**.

3. Procedures for such lettings have been simplified to promote efficiency. In 1992, authority was delegated to the Department to approve minor lettings with total rent receivable over each term below \$2M. Under changes introduced in 1996 straight forward lettings/contracts are approved departmentally after endorsement by the Letting Panel; formal approval of the Commercial Properties Committee is only required for particularly significant or complex cases.

LETTINGS BY NEGOTIATION

4. During 1997 the Panel endorsed 53 lettings covering a total Internal Floor Area (IFA) of 35,548m², generating a total minimum monthly rental of \$9.95M. In addition, 67 minor lettings covering a total Internal Floor Area (IFA) of 3,708m² were approved under delegated authority, generating a total minimum monthly rental of around \$2M. A breakdown of these lettings by trade is given at **Annex C**.

5. Privatization took a further step forward by letting to single operators the markets at Tsz Wan Shan Shopping Centre, Fu Tung Estate and Hau Tak Estate, (business expansion) as well as the entire shopping centre at Ping Tin Estate.

6. Open tender continued to play a major role in leasing ordinary retail premises. However, flexibility of letting by negotiation contributed tremendously towards strengthening tenant-mix and long-term potential of shopping centres.

MANAGEMENT CONTRACTS AWARDED

7. A total of three carpark management contracts under Phase VIII, comprising 7,214 parking spaces in 20 estates were awarded to three operators.

8. A trial scheme was introduced to employ management agent for Tsz Wan Shan Shopping Centre, a type 'A' shopping centre. During the year, the management of eight type D shopping centres under Phase III were contracted out to two agents. Contracts for twelve type C and D shopping centres under Phase IV were awarded to four agents with operation to commence in early 1998. So far, 31 shopping centres are under agency management.

9. Upon expiry of the management contract on tennis courts in 10 rental estates, a new contract was awarded to a single operator consisting of 28 courts in 13 estates.

10. Management contracts awarded in 1997 are summarised at **Annex D.**

11. The paper is issued for Members' information, but if Members so wish may be discussed at the Commercial Properties Committee meeting to be held on 26 March 1998.

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