

# **THE HONG KONG HOUSING AUTHORITY**

## **Memorandum for the Commercial Properties Committee**

### **Progress Report on the Work of the Letting Panel January - December 1998**

#### **PURPOSE**

To inform Members of lettings by negotiation overseen by the Letting Panel in 1998.

#### **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. In 1992, procedures for lettings by negotiation was simplified to accelerate letting procedures. Departmental authority was delegated to approve minor lettings where the total rent receivable per tenancy term does not exceed \$2M. With further introduction of procedural changes in 1996, except for complex or significant cases which require formal approval of the Commercial Properties Committee, the authority for approval of straight forward lettings/contracts has been delegated to AD/CP after endorsement by the Letting Panel.

## LETTINGS BY NEGOTIATION

4. In 1998, the Panel endorsed 47 lettings covering a total Internal Floor Area (IFA) of 28,751m<sup>2</sup> amounting to a total minimum monthly rental of \$12.31M. In addition, 89 minor lettings covering a total Internal Floor Area (IFA) of 4,512m<sup>2</sup> were approved under delegated authority, generating a total minimum monthly rental of around \$2 M. A breakdown of these lettings by trade is given at **Annex C**.

5. Letting to single operators continues to take shape during the year. With reletting of the Single Operator Market at Hing Tung Shopping Centre and leasing of two new Single Operator Markets at Sheung Tak Shopping Centre and Kai Tin Shopping Centre, letting portfolio has now expanded to include 14 Single Operator Markets and three Single Operator Shopping Centres.

6. Whilst letting by negotiation allows flexibility in consideration of leasing proposals and contributes to securing anchor tenants to boost attraction of the Authority's shop premises, open tender continues to play a significant role in drawing small retailers for trade operation in housing estates.

## MANAGEMENT CONTRACTS AWARDED

7. The management contracts awarded during 1998 is summarized at **Annex D**.

8. A total of three carpark management contracts under Phase IX & Phase X, comprising 6,977 parking spaces in 20 estates were awarded to two operators.

9. During the year, the management of 13 type C and D shopping centre under Phase V were awarded to five agents. Due to the decline of offer by one management agent, only 11 type C and D shopping centre management contracts were effected by four management agents. So far, 42 shopping centres (one type A and 41 type C and D) shopping centres are under agency management.

## **INFORMATION**

10. The paper is issued for Members' information, but if Members so wish, it may be discussed at the Commercial Properties Committee meeting to be held on **6 July 1999**.

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File Ref. : HD(H)CP 6/8/2

Date : 30 June 1999

**LETTING PANEL**

**Terms of Reference**

To consider offers to lease or to manage commercial premises in public housing estates and to make recommendations to the Commercial Properties Committee for acceptance of terms for:-

- a) lease;
- b) expansion of existing leased area;
- c) voluntary relocation of an existing tenant;
- d) management of commercial premises under contract

## **Guidelines for Letting by Negotiation**

All leasing proposals from a prospective tenant should be referred to AD/CP via CES/CP or CHM/CP as appropriate for a decision following criteria approved by CPC.

- a) where the amount of space to be leased exceeds 250m<sup>2</sup> and (for non-factory premises) where the type of trade can attract more customers to the shopping centre, or can provide a desirable facility for residents; or
- b) where the premises concerned have failed to attract suitable bidders in more than two open tender exercises; or
- c) where an attraction is offered by the brand name under which the premises are to be operated, or by the tenant 's ability to develop his business through substantial promotional activities, which will enhance the trading potential of the shopping centre, or
- d) where a sitting tenant has demonstrated his capability for expansion of his business.

2. Upon AD/CP 's agreement, arrangements will be made for preliminary discussion with prospective tenants within one week of receipt of their proposals. Negotiations will be undertaken by the following officers of CPD

- a) For premises with a total internal floor area of less than 250m<sup>2</sup> : professional or above
- b) For premises between 250m<sup>2</sup> - 1,000m<sup>2</sup> : senior professional or above
- c) For premises over 1,000m<sup>2</sup> : chief professional or above.

2/3

3. The prospective tenant should be encouraged to make a rental offer for consideration. If he does so, CES/CP will assess the market value of the premises concerned and consider whether the offer represents fair market value. If the tenant is unwilling to make an initial offer, or his offer is considered by CES/CP to be too low, CES/CP will supply the market rent of the premises concerned for negotiations with a view to obtaining an offer not less than this rent.

4. Authority to make a formal offer to let on the provisionally agreed terms is delegated to BD/CBD where the total rent receivable over the term to be granted does not exceed \$2M; and AD/CP where the total rent receivable over the term to be granted does not exceed \$1.5M; where -

- a) at least five prospective tenants have been invited to submit a leasing proposal;
- b) the proposed tenant has offered the highest rent; and
- c) the rent is not below the assessment of market value of CES/CP.

5. For lettings of additional area to an existing tenant paragraph 4(a) and (b) do not apply but approval by delegated authority is restricted to those cases where the additional area does not exceed the existing area leased and there has been no previous expansion of the area occupied.

6. In other cases a paper will be prepared with details of the provisionally-agreed terms for submission of the case to the Letting Panel for endorsement.

3/3

7. After considering the submissions before it, the Letting Panel may -
  - a) endorse the recommendation; or
  - b) refer the case back to AD/CP for renegotiation at a specified figure; or
  - c) reject the recommendation.
  
8. On receiving the endorsement of the Letting Panel, the letting can be approved by AD/CP under delegated authority.

**Letting by Negotiation**  
**January - December 1998**

**(a) Approved by Letting Panel**

<u>Type of Trade</u>	<u>No. of Letting</u>	<u>Area (m<sup>2</sup> IFA)</u>	<u>Rent (\$p.m)</u>
Single-operator Shopping Centre *	1	5,527	700,000
Single-operator Market	3	6,401	2,416,776
Superstore/ Superstore Package Letting	2	3,176	3,201,950
Chinese Restaurant	3	3,908	1,400,058
Fast Food	6	2,108	1,178,473
Specialty Restaurant	2	1,072	322,090
Cafe, Congee & Noodle	2	409	245,000
Bakery/ Bread & Cakes	4	350	347,500
Convenience Store	2	189	311,000
Book/ Stationery & Toys *	2	909	260,200
Personal Store	2	403	190,518
Household Utensil/ Furniture	5	1,163	361,500
Western Restaurant	1	367	234,350
Wearing Apparel *	1	109	70,370
Off- Course Betting Centre	1	342	215,000
Children' s Games Centre	1	244	93,319
Frozen Food	1	162	65,000
Medicine, Cosmetics & Dried Seafood	2	219	148,200
Residential Care Home for the Elderly	3	1,359	410,107
Bank	1	180	107,500
Others	2	154	33,008
<b>Sub-total</b>	<b>47</b>	<b>28,751</b>	<b>12,311,919</b>



**Letting by Negotiation**  
**January - December 1998**

**(b) Approved by Delegated Authority**

<u>Type of Trade</u>	<u>No. of Letting</u>	<u>Area (m<sup>2</sup> IFA)</u>	<u>Rent (\$p.m)</u>
Telecommunication & Paging Instrument	4	102	72,560
Bakery/Bread & Cakes	11	527	320,300
Video Tapes/Laser Disc	1	60	31,000
Optical	5	277	164,000
Hairdresser	3	208	111,400
Wearing Apparel *	7	625	227,967
Studio/Photo-finishing **	7	252	105,270
Household Utensil/Furniture	3	639	125,400
Frozen Food & General Provision	3	183	75,333
Ice Cream/Preserved Food & Confectionery	9	384	202,500
Bank/ATM	6	59	47,566
Personal Store	1	80	30,000
Show Room and Office	2	160	56,000
Electrical/Audio Equipment	1	90	37,000
Convenience Store *	1	61	18,000
Mini-convenience Store	4	114	108,500
Travel Agency	2	97	47,020
Payment Express Terminal	4	3	5,000
Nature Healthy Food/Medicine & Dried Seafood	3	78	61,500
Herbal Drink & Refreshment *	5	154	158,460
Computer & Accessories *	6	327	145,838
Health Care Store	1	32	13,800
<b>Sub-total</b>	<b>89</b>	<b>4,512</b>	<b>2,164,414</b>

Note 1 : The rent shown represents the minimum amount receiveable by the Authority and excludes any additional amount receiveable where a turnover rent or rising rent is charged.

Note 2 : \* 1 offer was declined  
\*\* 2 offers were declined

**Management Contracts Awarded  
January - December 1998**

<b>Carparks</b>	<b>No. of Spaces</b>	<b>Contract Period</b>	<b>Remarks</b>
Phase IX (Two contracts)	Total: <u>4,447</u>	5 years 1.4.1998 - 31.3.2003	Percentage payment basis
Phase X (One contract)	Total: <u>2,530</u>	5 years 1.12.1998 - 30.11.2003	Percentage payment basis

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<b>Shopping Centre</b>	<b>GFA (m<sup>2</sup>)</b>	<b>Contract Period</b>	<b>Remarks</b>
Cheung Shan and Shek Wai Kok	33,949	2 years from 1.9.98	
Lung Hang and Kwong Yuen	41,549	- ditto -	
Tai Hing and Leung King	69,025	- ditto -	
Lei Tung and Wah Fu	35,508	- ditto -	
Siu Sai Wan and Wan Tsui	31,611	- ditto -	
Yiu Tung	<u>5,591</u>	2 years from 1.12.98	
Total:	<u>217,233</u>		

Note:

The offer of management contract for Tung Tau and Choi Wan Shopping Centre with a total of 60,454 GFA (m<sup>2</sup>) was declined by the management agent due to manpower problem.