

**THE HONG KONG HOUSING AUTHORITY**

**Memorandum for the Home Ownership Committee**

**Annual Review of Management Fees for  
Home Ownership Scheme Estates**

**PURPOSE**

To seek Members' approval for revised management fees to be charged on 96 Home Ownership Scheme (HOS) estates for 1997/98.

**BACKGROUND**

2. The Housing Authority manages HOS estates on an at-cost basis. Management fees for these estates are reviewed annually to take account of anticipated increases in management and maintenance expenses.

3. To ensure that the estates maintain healthy financial situation, the following guidelines, approved by Members in 1993 (Paper No. HOC 33/93), are adopted to determine the levels of increase -

- (a) Management fees should be adjusted if anticipated expenses exceed the existing management fees;
- (b) Owners' proposal for reduced increase can be agreed only if -
  - (i) the Accumulated Funds of the estate are in excess of three months' total management fees; and
  - (ii) the projected increase amounts to 10% or more.

- (c) The adoption of a lower rate of increase will not lead to the shrinking of the Accumulated Funds to less than three months' total management fees; and
- (d) The actual amount of increase should be at least 50% of the increase required in the absence of transfer from the Accumulated Funds.

### **OPERATING EXPENSES**

4. The anticipated operating expenses for 1997/98 for estates directly managed by the Housing Department (HD) and those managed by property management agents (PMAs) are shown in **Annexes A and B**.

5. These expenses are estimated having regard to factors such as inflation, labour market, trends in contract rates for cleansing and security services, and the scope of maintenance and improvement works in the coming year.

### **PROFESSIONAL MANAGEMENT COST**

6. A Professional Management Cost (PMC), based on cost-apportionment and cost-recovery principles, is charged for estates directly managed by HD. It covers part of HD headquarters' administrative overheads as well as staff cost in providing day-to-day management and maintenance services.

7. The PMC for 1997/98 is proposed to be \$81.80 per flat per month, representing an increase of \$2.40 or 3.02% above that for 1996/97. A breakdown is shown at **Annex C**.

## **SUPERVISION COST**

8. For estates managed by PMAs, a Supervision Cost (SC), also based on cost-apportionment and cost-recovery principles, is charged. This covers the cost of HD supervisory staff and the headquarters administrative overheads.

9. The SC for 1997/98 is proposed to be \$30.30 per flat per month, representing an increase of \$0.90 or 3.06% above the SC for 1996/97. A breakdown is shown at **Annex D**.

## **PROPOSED MANAGEMENT FEES**

10. The management fees for 12 estates will remain unchanged for 1997/98. Of these, six are estates having healthy Accumulated Funds and six others are estates which will benefit from the reduction in operating expenses resulting from change to agency management in October 1996 and November 1996.

11. The proposed monthly increases for the remaining 84 estates range from \$2 to \$66 representing increases of 0.38% to 14.57%. A summary of the proposed increases is at **Annex E**.

## **CONSULTATION WITH OWNERS**

12. In accordance with the Seventh Schedule of the Building Management Ordinance (BMO), estate Housing Managers have distributed the proposed budgets to owners for their reference. In line with the established practice, Mutual Aid Committees (MACs), Residents' Associations (RAs) and where applicable Owners Corporations (OCs) have also been informed of their estates' financial position and the rationale behind the proposed fee adjustments. With the exception of four cases where objection has been raised, the proposed management fees are generally acceptable to owners, MACs, RAs and OCs. A summary of the feedback is at **Annex F**.

**Choi Po Court**

13. The proposed management fee for 1997/98 was \$425, representing an increase of \$15 or 3.66 %. Of the four MACs, three agreed but the remaining one strongly objected to the increase. Protesting activities were staged including putting-up posters and writing to the Home Ownership Committee. However, after a meeting with the District Senior Housing Manager, the remaining MAC finally agreed to accept the proposed increase and withdraw the protest.

### **Hong Wah Court**

14. The MACs objected to the original proposed increase of \$60 (i.e. +13.19% from \$455 to \$515). Management have received 294 written and 14 verbal objections from owners. An open forum jointly organised by a District Board member and the MACs was held. After discussion, it was agreed that the budget for planned building maintenance works would be trimmed down and an amount of \$10 being provision for redecoration was deleted. As a slight adjustment to the non-recurrent building works expenditure is possible with refinement of the originally proposed estimates and the estate was just redecorated in 1996, the revised fee level as agreed with the owners, representing an increase of \$40 (+8.79 % from \$455 to \$495) is recommended for adoption.

### **Ching Tai Court**

15. The RA and some owners objected to the originally proposed increase of \$55 (i.e. +11.34 % from \$485 to \$540). More than 60 owners and some RA representatives gathered in front of the management office and demanded for a meeting with HD staff. The consultation period was extended and a meeting was held with owners and RA representatives. After further negotiation, consensus was reached for an increase of only \$45 (i.e. +9.28 % from \$485 to \$530). The adjustment was made possible by reducing the amount set-aside for topping-up the Accumulated Funds from \$15.45 to \$5.45.

### **Shun Chi Court**

16. The initially proposed management fee level of \$600 (i.e. +\$61, or 11.32%) is based on a balanced budget. Both the MACs and RA objected to the proposal. Throughout active consultations with them, the attitudes of the chairmen have been mild and non-committal while the vocal ones counter-proposed a management fee increase of 6 - 8% which was the current inflation rate. The management have suggested a fee level at \$595 (i.e. +\$56, or 10.39%), but the chairlady of the RA and one MAC chairman could only agree to a level at \$593 (i.e. +\$54, or 10.02%) behind the scene. After an in-house meeting of the RA, the chairlady returned with a fresh proposed increase of 8.5%. The management announced a proposed management fee level at \$593 (i.e. +\$54, or 10.02%) by an open letter to each owner individually and no adverse comments were received after a lapse of 14 days. In the light of this mild response, it is proposed to set the management fee at \$593 as announced, which represents an increase of \$54 or 10%. It should be pointed out that under the BMO, the Manager has the power to fix the management fee as proposed after a 14-day consultation period with the individual owners, and a 10% increase in management fee from the previous year is allowed in case of dispute.

17. The proposed management fee is adequate to meet the revised management budget of 1997/98 with no provision for redecoration and bringing up the Accumulated Funds. The owners will be individually advised of the situation following the endorsement of this Committee.

## **PUBLICITY AND PUBLIC REACTION**

18. The owners have been consulted on the proposed fee levels. The result of consultation indicated that the proposed fee levels are generally acceptable to owners. Although objections from owners' organizations are encountered in a few estates, the Department will continue to explain the basis of fee calculation to these concerned parties. We are confident that the proposed increases will ultimately be acceptable to them.

## **DECISION**

19. At the next Home Ownership Committee meeting to be held on 17 February 1997, Members will be asked to approve -

- (a) the proposed PMC of \$81.80 for 1997/98 for HD-managed estates as detailed in **Annex C**;
- (b) the proposed SC of \$30.30 for 1997/98 for agent-managed estates as detailed in **Annex D**; and
- (c) the proposed management fee levels for 1997/98 for all 96 estates as detailed in **Annex E**.

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