

LCQ 5: Management fees of housing courts under the Starter Homes pilot projects for Hong Kong Residents

Following is a question by the Hon Wilson Or and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 17):

Question:

Intake of residents for the eResidence, the first Starter Homes (SH) for Hong Kong Residents pilot project developed by the Urban Renewal Authority, commenced last month. Some flat owners of that housing court have complained that they have to pay exorbitant management fees, which amount to \$4.3 per square foot and are even higher than those of certain private housing courts. The exorbitant management fees, coupled with property mortgage repayments, have aggravated their financial burden. In this connection, will the Government inform this Council:

- (1) given that the prices of SH flats are positioned at a level between those of Home Ownership Scheme (HOS) courts and private housing courts, whether it has assessed if the management fees of SH housing courts should be pitched at a level between those of HOS courts and private housing courts; if it has conducted such an assessment, of the outcome;
- (2) whether the Government participated in determining the management fee level of the eResidence; and
- (3) whether it will set up a mechanism to monitor the management fee levels of SH housing courts?

Reply:

President,

The objective of Starter Homes (SH) pilot projects for Hong Kong Residents is to enrich the housing ladder by adding a rung below private housing and above the Home Ownership Scheme (HOS). As a type of subsidised sale flats (SSFs), SH aims to help the higher-income families who are not eligible for HOS and yet cannot afford private housing to meet their home ownership aspirations in the face of high property prices.

In June 2018, the Government invited the Urban Renewal Authority (URA) to assign its redevelopment project at Ma Tau Wai Road as an SH pilot project (eResidence). Subsequently, URA announced the pre-sale of 450 SH units at eResidence in December 2018. All SH units were sold in June 2019. Following

the completion of the project, URA commenced execution of assignment and handover procedures in early May this year.

My reply to various parts of the question raised by Hon Wilson Or is as follows:

(1) Currently, there are three major types of SSFs under different rungs along the housing ladder, namely, Green Form Subsidised Home Ownership Scheme (GSH), HOS and SH. The positioning and relativity of these three types of SSFs along the housing ladder are reflected in the discount of the selling prices of the units. Therefore, the discount rate of GSH units would be higher than that for HOS sale exercise, while the discount rate of SH units would be lower than that for HOS sale exercise. As for the eResidence project, SH units were sold at 62 per cent of the assessed market values, i.e. a discount rate of 38 per cent, which was 10 per cent less than the 48 per cent discount for the previous HOS sale exercise (i.e. in 2018).

From the perspective of property management, there is no difference between SSF projects and private residential projects in general. The management fee level of housing projects (no matter for SSF or private residential projects) is affected by a number of factors, including development scale of the housing estate, number of units, community facilities and ancillary infrastructures provided by the housing estate, expenditure on daily maintenance and repair works, number of security guards and cleaning workers, as well as fees for hiring property management company, etc. In general, if there are fewer building blocks and units in the housing estate, or more community facilities (e.g. clubhouse and gym) provided by the housing estate, the management fees to be shared by each unit would be higher. Considering that the specific circumstances of different housing projects may be widely different, the Government does not consider it appropriate to lay down a set of rigid indicators with regard to the management fee level.

(2) In inviting URA to assign its redevelopment project at Ma Tau Wai Road as SH pilot project, the Government has specified certain requirements concerning SH units under the relevant lease modification document, including that the units can only be sold to persons meeting the eligibility criteria specified by the Government, the pricing should be subject to the approval by the Government, and there should be alienation restrictions for the units, etc., while matters concerning the determination of management fee level are not included. The Government was also not involved in the determination of the management fee level of eResidence.

According to information provided by URA, in determining the management fee level of eResidence, URA has made reference to the management fees of residential projects in the market with comparable development scale and facilities, and the management fee level of eResidence is compatible with the current market level. According to the understanding of the Government, depending on the scale and relevant facilities of individual housing estates, the management fee level of private residential projects completed in recent years is around \$4 to \$5 per square foot in general.

(3) As mentioned above, the management fee level is affected by a number of factors. It would be difficult for the Government to specify the management fee level and relevant indicators for SH projects which are of reference value. Moreover, if the Government sets restrictions on the management fee level for SH projects, in order to comply with relevant requirements, developers may unavoidably need to make trade-offs on areas such as facilities and ancillary infrastructures of the housing estates. This may reduce the flexibility of developers in the design of SH projects, and is not in line with the original intent of the Government to fully utilise the experience and expertise of developers in designing and constructing buildings to provide SH units.