

Chapter 58

The Life-Cycle Management of Indemnificatory Apartment Projects

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Abstract The construction of indemnificatory apartments is a hot social concern in recent years. Its success or failure will have a significant impact to the social security business and the quality of people's life. Compared with the general real estate projects, the implementation of indemnificatory apartment projects has more needs to have a scientific management method to carry it out smoothly. The Life-Cycle Management (LCM) of indemnificatory apartment projects is a comprehensive management throughout the total construction process, guarantees the projects' scientific and systematic, and is indispensable to construction of indemnificatory apartment projects. This paper divided the indemnificatory apartment projects life cycle into four phases and analyzed the effect of the LCM. Based on the status quo of indemnificatory apartment projects and life-cycle management theory, the life-cycle management focuses of indemnificatory apartment projects in each phase were studied. This paper expatiated on the key points of indemnificatory apartment projects LCM systematically and could help improve the operation efficiency of indemnificatory apartment projects.

Keywords Indemnificatory apartment • Life cycle • Life cycle management (LCM)

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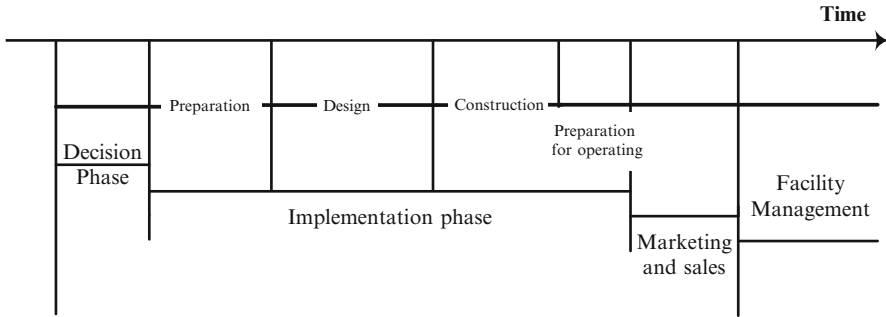


Fig. 58.1 The division of indemnificatory apartment project life cycle

58.1 Introduction

In 2007, to curb the excessive growth and solve the housing difficulties the government proposed political objectives of the construction of indemnificatory apartment projects, and since then indemnificatory apartment projects began to become a building boom. In Premier Wen's 2010 government report it proposed that we should continue the large-scale implementation of indemnificatory apartment projects and proposed the goals of three million units of indemnificatory apartment and 2.8 million sets other kinds of shantytowns housing [1]. In December, Department of Housing provided ten million sets of indemnificatory apartment and various shantytowns housing tasks in 2011 [2]. To respond positively to this national policy, local governments and construction units participate into the construction of indemnificatory apartment actively.

58.2 Division of Indemnificatory Apartment Projects Life Cycle

Construction projects at different times have different jobs and milestones. And because of the special requirements in quality, cost, organization and management, the indemnificatory apartment project life cycle can be divided into decision phase, implementation phase, marketing and sales and facility management according to the management emphasis of each stage (Fig. 58.1).

58.3 Effect of Indemnificatory Apartment Projects Life Cycle Management (LCM)

The Life Cycle Management (LCM) applies a series of advanced technological means and management and integrates the processes of planning, construction, production, operation, maintenance and recycling for the long term interests. Under

the premises of rational planning and design, quality construction and safety production, the management goal is to be overall optimal of project life cycle. The indemnificatory apartment projects LCM is a systematic integrated management based on the life-cycle theory and plays a significant role for indemnificatory apartment projects and various stakeholders.

1. From the system point of view the indemnificatory apartment project LCM implements a unified management involved all aspects and helps improve the operational efficiency.
2. The indemnificatory apartment projects LCM focuses on the life-cycle stages of interaction and contact and reflects the indemnificatory apartment project's own requirements. So it can ensure the consistency of the project objectives.
3. The indemnificatory apartment projects LCM requires all participants timely communicate to promote the goals in the exercises of their duties and project tasks.
4. The indemnificatory apartment projects LCM is favorable to the government the right to exercise their management responsibilities effectively and ensures the project carry out smoothly.

58.4 Management Contents of Indemnificatory Apartment Projects LCM

Decision Phase. This phase refers to building plans for investment, developing land supply strategies and then determining the project plan by responsible departments under the state construction tasks of indemnificatory apartment. The investment housing project research carried out by the responsible authorities in the investigation of local conditions about the low-income families is the focus of the phase, including sources of funding, the proposed housing types, housing areas and access to exit mechanism etc.

1. The factor of funds influences the project investment in the whole process of construction. According to national policies, indemnificatory apartment construction funds should come from the government primarily. And the subsidies for indemnificatory apartment, property management and others also require significant capital investment, which means that there is a large funding gap in building indemnificatory apartment [3]. The key to solve the current is to encourage private capital intervention and develop new financing models. The construction of capital investment process involves the three of government, enterprises and banks, to facilitate the effective management of funds a special account should be established and the whole process of capital flows and the use of funds should be published, so the funds can be earmarked to prevent illegal.
2. The access and exit mechanism of indemnificatory apartment is a treatment method that prescribes when can purchase and what to do after exceeding the

standards. It is implemented by documents through local management practices and is a very important part of the indemnificatory apartment management, and the foundations of purchasing and selling.

Implementation Phase. Indemnificatory apartment in the implementation phase includes design and construction, and the important and difficult management contents in this phase including the followings.

1. The indemnificatory apartment standardized design

In the process of planning and design it should pay attention to make full use of service facilities around the original, and the concentration of new housing communities should try to make facilities complete. Besides, according to the standards corresponding percentage of property houses for business purposes can be deployed in indemnificatory apartment, and its income will be used as the property management operation costs. A reasonable proportion of commercial real estate can also be used to improve living standards of the community and become a financial subsidies source of funding in later property management.

2. The construction management of indemnificatory apartment projects

The main manager missing is the most important issue facing the construction management. The investment, planning approval, land supply and other processes need the co-management of relevant state departments, making the indemnificatory apartment project have many managers but no one responses for the construction management. Furthermore, because the project management is basically done by developers, who driven by profit maximization in the construction process, can hardly prevent them using their rights to do something by certain means to damage the quality and duration [4]. The government should establish a special administration participating in the whole process to supervise and provide guidance. Meanwhile, this participation is not just in construction management, but to participate in the entire life cycle, and is also not a micro-management, one by one to look over, but macro-control supervision.

3. The price control

Indemnificatory apartment policy is intended to protect the poor, but the emergence of some problems such as that affordable housing is too large to make the price higher or even as the same as the commercial housing's makes the policy vacant. The price control requires the construction of indemnificatory apartment must be in strict and implemented by standards related to it. These standards involve area control, the scale of construction and procurement of materials and equipments. By controlling the upper limit of these standards the price control objective can be achieved.

Marketing and Sales. The main task of the phase is to certify and operate the purchase review process and determine the price and rent.

1. The purchase review process is a specific implementation of the access and exit mechanism. Large amount of the indemnificatory apartment construction, a big number of the applicants, non-perfect of the current housing management system, no special audit of institutions and full-time staff which make the

application and review process need pass through all levels of government administration, result in miscellaneous links, long cycle and complex review processes of the room's audit. In China, the reality is that the amount of indemnificatory houses in most regions is less than the applicants, so the quality of the managers and the rigorousness of the application review process must be paid attention to solve the problem and reflect fairness.

2. The determination of indemnificatory apartment price and rent is directly related to the construction costs of indemnificatory apartment. Affordable housing's determination of the sales price even needs to refer to the local commercial housing prices. For example, "The Management of Nanjing Indemnificatory Apartment Price Control" jointly formulate by the Nanjing Price Bureau, the Municipal Construction Committee and the Land Bureau proposes the political housing such as affordable housing, low-rent housing price's calculated basis and indicates the base price of the houses consists of the development costs, taxes and profits and describes the form of the fee of the development costs. Low-rent housing and public rental housing rents are determined by the costs and expenses of construction, depreciation, maintenance and operating, when the base price is determined the applicants should bear the appropriate proportion of the different costs according to the applicant's family income, that is to say, different family income charge different rents.

Facility Management. Facility management is directly related to the preservation and reuse of the indemnificatory apartment and low-income resident's quality life, and is an important component in follow-up management [5]. Different from the commercial housing facility management, it cannot rely entirely on the operation of market, must rely on the government's preferential policies to get its survival and development.

1. Dynamic management

The indemnificatory apartment facility dynamic management refers to the regular publication of rents and operation of the exit mechanism. The rent of indemnificatory apartment will change in pace with the development of economic level, the rent condition of real estate markets and the affordability of single objects, so property management agencies should announce the rent formulated by the price administration department regularly to the public. The operation of the exit mechanism can ensure the reuse of the houses, expand the scope of protection, and safeguard the rights of low-income people. The dynamic model proposed above can continue to improve the management of the access and exit mechanism, and enhance the effectiveness of the indemnificatory apartment policies and the operational efforts.

2. Property cost management

Indemnificatory apartment is facing a particular group—the low-income people, and the indemnificatory houses itself has its specific properties, so the cost charged to it should analyze specific issues. The points of this specific operational method can include: different economic levels get different charges; the property fees to special poor families can be exempted from by government

subsidies for concessions; different properties also have different management methods and fees. In China, indemnificatory apartment property rights are in various forms, such as no property of low-rent housing and public rental housing and limited property of affordable housing. Facility management increases the value of the houses to make the owner getting profits from it, so this part of the cost must be borne by owners.

3. Property subsidies

The low-income group's affordability is vulnerable, so it can't imagine how difficult if completely rely on the operation of market to charge the property fees. Second, the profit margins of indemnificatory houses is much smaller than the commercial housing, making the property companies have no enthusiasm to manage, thus affecting the quality of property management. Moreover, for the purpose of the housing safeguard public policy, the financial subsidies and preferential policies are essential. In addition to financial subsidies conventional financial funds, the commercial shops operated on behalf of the property companies also serve as a source of funding [6].

58.5 Conclusions

The construction of indemnificatory apartment project is a hot social concern in recent years. Its success or failure will have a significant impact to the social security business and the quality of people's life. Compared with the general real estate projects, the implementation of indemnificatory apartment project has more needs to have a scientific management method to ensure it smoothly. The indemnificatory apartment project LCM is a comprehensive management throughout the construction process, guarantees the project's scientific and systematic, is indispensable to construction of indemnificatory apartment project.

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