

Government extends arrangement for charging land premium at standard rates

The Development Bureau (DEVB) announced today (December 28) the extension of the arrangement for charging land premium at standard rates for lease modifications on two fronts: first, to regularise the arrangement for redevelopment of industrial buildings (IBs) constructed before 1987 (pre-1987 IBs) with the scope expanded to cover IBs for special industrial use, and second, to introduce a pilot scheme applicable to agricultural land in the New Territories (NT) outside new development areas (NDAs).

A spokesperson for the DEVB said, "The standard rates arrangement is an alternative to the conventional premium assessment mechanism. The standard rates arrangement aims to provide certainty to the premium amount and streamline development procedures to expedite development. Since the implementation of a pilot scheme to apply this arrangement to pre-1987 IBs and the extension to NDA projects under the Enhanced Conventional New Town Approach in the past two years, the arrangement has been supported by the industry and professional organisations. This round of extension was announced in the 2023 Policy Address, which will regularise the arrangement for IBs as well as spreading the benefits to development projects outside NDAs."

The existing pilot scheme for redevelopment of pre-1987 IBs will be regularised on the basis of the existing framework, with the scope expanded to cover pre-1987 IBs held under leases for special industrial uses (for example, leather tanning, garment manufacturing and food production). Following the existing arrangement, the whole territory of Hong Kong will be divided into five broad regions (note), with standard rates set for uses before and after lease modification for redevelopment of IBs in each region (i.e. the "industrial/godown" use before redevelopment, and the "commercial/modern industrial" and "residential" uses after redevelopment). Moreover, separate standard rates for the use before lease modification will be set for redevelopment of IBs for special industrial uses, being 70 per cent of the rates for the use before lease modification of general IBs, to reflect the land value of IBs for special industrial uses subject to more restrictive conditions under the existing leases. Upon regularisation, the level of all standard rates applicable to redevelopment of IBs will be reviewed annually by the Lands Department (LandsD) to ensure the rates are in line with the prevailing market conditions. The new rates will be effective on April 1, 2024.

As regards NT agricultural land outside NDAs, the Government will introduce a pilot scheme with the first phase covering the new town areas within three districts, namely Yuen Long, North, and Tuen Mun, as well as areas in the vicinity of existing or proposed railway stations (i.e. within

1-kilometre radius) within these three districts, with a view to steering the market to focus resources on the agricultural land that is well supported by transport infrastructure and better community planning and infrastructure to carry out high-density development, release the land potential therein and expedite land and housing supply. The areas covered by the first phase will be divided into 10 zones (including four zones of existing new towns and six zones of existing or proposed railway stations; see the plan in Annex). LandsD will set the standard rates for different zones and different uses before and after lease modification, and the level of rates will be reviewed annually as well. In addition, the Development Bureau will review the geographical coverage of the standard rates arrangement annually taking into account the planning and implementation progress of the railway projects in the NT mentioned in the Hong Kong Major Transport Infrastructure Development Blueprint just promulgated and other relevant factors, and may gradually extend it to more locations having regard to implementation experience and policy considerations.

The spokesperson said, "This round of measures will provide a standing option for premium to be charged at standard rates for around 900 pre-1987 IBs in Hong Kong, to provide certainty on premium amount for owners who may wish to redevelop their IBs and shorten the time needed for premium negotiation, and at the same time encourage the redevelopment of IBs for special industrial uses. As for the pilot scheme for NT agricultural land outside NDAs, based on the lease modification applications being processed by LandsD, a total of 24 cases will be covered, providing around 8 500 residential units in total, which is over 40 per cent of the potential supply of residential units among all lease modification applications involving NT agricultural land being processed. Moreover, approved planning applications will also benefit when they proceed to the lease modification procedures in due course. There were five planning applications approved in the past five years which involve land falling within the geographical coverage of the pilot scheme, providing a total of around 8 700 residential units. We also believe that the new arrangement will attract more new applications."

The Government has set out the implementation details in the Legislative Council Brief and Practice Notes promulgated on the same day. The level of standard rates will be announced in the first quarter of next year.

Note: Namely Hong Kong Island, Kowloon East, Kowloon West, New Territories South, New Territories North.