

LCQ6: Pilot scheme for charging land premiums at standard rates for redevelopment of industrial buildings

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (May 4):

Question:

In March last year, the Development Bureau launched a pilot scheme for charging land premiums at standard rates for redevelopment of industrial buildings (IBs) (the pilot scheme) under which standard rates are set for the uses involved in lease modifications for IBs, and owners of IBs may compute the land premiums payable at the promulgated standard rates based on the uses and gross floor areas of their IBs before and after lease modifications. The pilot scheme runs for two years and is applicable to IBs constructed before 1987. In this connection, will the Government inform this Council:

(1) of the respective numbers of applications made under the pilot scheme which have been received, approved and rejected by the Government so far, and the number of applications under vetting; the average time taken for vetting and approving each application;

(2) among the approved applications mentioned in (1), of the respective numbers of those involving commercial/modern industrial use and residential use after lease modifications, as well as the following information of each application: (i) the district involved, (ii) whether there is an increase in the gross floor area after the lease modification (if so, of the details), and (iii) the amount of land premium involved; and

(3) whether it will consider extending the application deadline of the pilot scheme or regularising it, and at the same time expanding the scope of the pilot scheme to cover IBs constructed in or after 1987; if so, of the details; if not, the reasons for that?

Reply:

President,

The Development Bureau and the Lands Department (LandsD) launched in mid-March 2021 the pilot scheme for charging land premiums at standard rates for redevelopment of industrial buildings (IBs) (the pilot scheme), for lease modifications involving the redevelopment of IBs constructed before 1987. The pilot scheme provides an option for charging land premiums at standard rates on these lease modifications, as an alternative to the conventional mechanism for premium assessment (i.e. individual premium assessment based on the

circumstances of each case). Through promulgating in advance a set of standard rates on land premium, the pilot scheme aims to provide certainty on land premiums and expedite the completion of lease modification procedures involved in the redevelopment of aged IBs to facilitate the early transformation of the land into uses more compatible with the needs of society, and thus optimise the use of land.

My reply to each part of the Hon Ng's question is as follows:

(1) As at mid-April 2022 (over the past one year and so), applicants of nine eligible lease modifications opted for standard rates under the pilot scheme. Out of them, seven cases have had land premium agreed with the LandsD (five of which have been executed and two are expected to be executed in three months), and the remaining two cases are under processing. For reference, in the three years prior to the launch of the pilot scheme, on average only about three to four lease modification cases of IB redevelopment had premium agreed per year.

Under the pilot scheme, eligible applicants should exercise their option on whether to have land premium calculated at standard rates upon acceptance of provisional basic term offer (PBT0) of the lease modification (which is the last step before commencement of the premium assessment process). Generally speaking, after the eligible applicant has opted and accepted the PBT0, the LandsD will complete the ensuing processes, including premium calculation and title checking etc., and issue the binding basic term offer with premium offer within about five weeks from the acceptance of the PBT0.

Thereafter, the applicant should accept the premium offer within one month. Upon the applicant's acceptance (i.e. the two parties have agreed on the land premium amount), the lease modification document will be executed within three months. Under standard rates, as the applicant has made the option knowing the land premium amount in advance, there is no need for both parties to negotiate on the premium. Therefore, the time required from issuing the premium offer to reaching an agreement on the land premium (one month in general, as mentioned above) is much shortened from that required under conventional premium negotiation (around seven months on average in recent years).

(2) Under the pilot scheme, standard rates are set for the use before lease modification of IBs (i.e. "industrial/godown" use before redevelopment) and two common uses after lease modification (i.e. "commercial/modern industrial" and "residential" uses after redevelopment). The five executed lease modification cases above are all for commercial/modern industrial use after modification, with details at the Annex. The information of other cases can be searched at the Land Registry after the relevant lease modification documents are executed and the relevant documents are registered at the Land Registry. Key information will also be available on the LandsD's website.

(3) The pilot scheme targets pre-1987 IBs for revitalisation, because they were constructed before the Fire Services Department enhanced the fire safety requirements in 1987. These buildings have relatively less adequate fire

service installations and could pose safety risks to IB users and the society. Therefore, the Government focused on promoting the redevelopment of these IBs in order to address the safety problems in a more fundamental manner. Given this particular policy objective, the Government will continue to focus on IBs constructed before 1987 for the time being.

In order to give owners a push factor in taking forward redevelopment expeditiously, the pilot scheme is time-limited and set to run for two years originally. The Government announced in end-March this year to extend the Pilot Scheme for one year until March 31, 2024, during which the previously announced standard rates will remain unchanged, to allow more time for IB owners to plan for redevelopment and for the Government to gather more experience for a review to consider the way forward.

In fact, in view of the positive response from the industry towards the pilot scheme, the Chief Executive's 2021 Policy Address announced the extension of the standard rates approach for premium assessment to lease modifications in the new development areas, with details announced in end-March this year. The Government will continue to keep in view the implementation of standard rates, so as to consider the feasibility of extending the scope of applying standard rates.