

Pilot scheme for charging land premiums at standard rates for redevelopment of industrial buildings to be launched in mid-March

The Development Bureau (DEVB) announced today (March 4) that a pilot scheme for charging land premiums at standard rates for lease modifications for redevelopment of industrial buildings (IBs) will be launched on March 15 and will run for a period of two years. The scheme will be applicable to IBs constructed before 1987 to provide IB owners with an alternative to the conventional mechanism for premium assessment.

A spokesperson for the DEVB said the pilot scheme aims to provide certainty on land premiums through promulgating a set of standard rates and expediting the completion of lease modification procedures for IB redevelopment. This will encourage revitalisation of IBs through facilitating their early transformation into uses more compatible with the needs of society, and thus optimise the use of land.

The pilot scheme is clear and simple. Standard rates are set for five broad regions in Hong Kong and three types of uses involved in lease modifications for IBs (namely "industrial/godown" use before redevelopment, as well as "commercial/modern industrial" use and "residential" use after redevelopment), and have been formulated with reference to a basket of relevant market data. The standard rates applicable to the pilot scheme with a few illustrative examples are in the Annex.

The aforementioned standard rates will remain unchanged for the two-year period of the pilot scheme for greater certainty under the scheme. During the period, IB owners may compute the land premiums payable based on the uses and gross floor areas (GFAs) before and after lease modification by applying the promulgated standard rates, to consider whether to apply for lease modification for redevelopment of IBs.

The Lands Department will issue a Practice Note on March 15 for industry reference on the operational details of the pilot scheme, including how lease modification applicants may exercise the right to opt for calculating land premiums by standard rates, the transitional arrangement applicable to lease modification cases under processing, and the calculation of GFA. The pilot scheme will run for two years from the date of promulgation of the Practice Note.

"The pilot scheme targets pre-1987 IBs for revitalisation, because they were constructed before the Fire Services Department tightened the fire safety requirements in 1987. These buildings have relatively less adequate fire service installations and could pose safety risks to IB users and

society. Promoting the redevelopment of these IBs is a more fundamental way to address the safety problems than enforcement or upgrading of installations," the spokesperson said.

The spokesperson emphasised, "The objective of the pilot scheme is not to provide premium concessions for owners, but to enhance the certainty on land premiums payable to expedite revitalisation of IBs. By definition, standard rates are not tailor-made for individual cases, and hence cannot precisely reflect the attributes of individual cases. If lease modification applicants do not find it attractive to have land premiums calculated at standard rates, they may opt to have their cases processed using the existing conventional approach for land premium assessment."

The 2020 Policy Address announced that the Government would implement a pilot scheme for charging premiums at standard rates, as another initiative to encourage revitalisation of IBs following the two rounds of IB revitalisation schemes introduced in 2010 and 2018. As at December 2020, some 60 redevelopment applications had been received under the two rounds of IB revitalisation schemes, of which 14 applications had completed lease modification and around 40 had obtained planning permission (some of the latter would still require lease modification). In addition, owners of some 150 IBs had applied for wholesale conversion under the schemes, and approvals had been given for 140 of the buildings.