



Pilot Scheme on “Pay for What You Build”

To provide greater flexibility in lease modification application to better support industry development, the 2025 Policy Address has announced, amongst other things, a three-year pilot scheme on “Pay for What You Build” (“the Pilot Scheme”) with regard to applications for lease modification in respect of non-residential use developments. A lot owner who wishes to apply for a lease modification under the Pilot Scheme should refer to this practice note (“PN”) and Lands Administration Office PN No. 2/2023 for the general procedures for submission and processing of applications for land transactions before submitting an application to the Lands Department (“LandsD”). For the purpose of this PN, any reference to a lease modification shall include a land exchange and any reference to a lease modification letter shall include Conditions of Exchange, where the context so admits or requires.

Applicability of the Pilot Scheme

2. The Pilot Scheme will be applicable to all lease modification applications for non-residential use developments throughout the territory. The land lot under application should fall within zones designated for “non-residential” use such as “Commercial”, “Industrial” or “Other Specified Uses (annotation)”, etc. of the relevant statutory town plan¹ at the time of application. For land lot located within a mixed use zone allowing both residential and non-residential developments (e.g. “Other Specified Uses (Mixed Uses)”), the Pilot Scheme will only be applicable to the portion of the lot where non-residential use is permitted (without any residential elements) which can be developed independently as a separate site.
3. LandsD would consider valid applications made for the purpose of this PN received during the three-year period from 1 June 2026 to 31 May 2029 (both dates inclusive). Applications received outside the said period will not be considered for the purpose of this PN.

¹ For the purpose of this PN, the term “statutory town plan” refers to an Outline Zoning Plan or a Development Permission Area Plan (as the case may be) that is applicable to the lot.

Lease Modification under the Pilot Scheme

4. Under the Pilot Scheme, a lot owner may apply for a lease modification for development of the lot (“Initial Phase Development”) according to the development intensity and preferred non-residential use² (“preferred use”) proposed by the lot owner, on the condition that –

- (a) the proposed development intensity of the Initial Phase Development amounts to at least 60% of the “maximum development intensity” which is defined as the total permissible maximum Gross Floor Area (“GFA”) of the whole lot permitted under the relevant statutory town plan³ or the Buildings Ordinance (Cap. 123), whichever is the lesser; and
- (b) the preferred use is well-defined with supporting information, with LandsD retaining full discretion as to whether such use will be acceptable for the purpose of formulating the user restriction under lease.

5. Any approved application under the Pilot Scheme would be subject to such terms and conditions as may be imposed at the sole and absolute discretion of LandsD as set out in the lease modification letter. Such terms and conditions shall include (but not exclusive to) –

- (a) a building covenant (“BC”) for the Initial Phase Development;
- (b) a restriction on alienation except as a whole for the whole lot⁴;
- (c) a user restriction clause reflecting the preferred use as proposed by the lot owner and approved by LandsD for the Initial Phase Development; and
- (d) a maximum GFA clause reflecting the development intensity as proposed by the lot owner and approved by LandsD for the Initial Phase Development.

² The preferred non-residential use should be permitted under the relevant statutory town plan or with planning permission obtained from the Town Planning Board.

³ Where the non-residential development is covered by a planning permission, the maximum development intensity refers to the GFA approved by the Town Planning Board. For cases requiring planning permission, the lot owner is encouraged to indicate in the planning application the intended Initial Phase Development, including the proposed development intensity in terms of GFA, under the Pilot Scheme.

⁴ For the avoidance of doubt, for land lot located within a mixed use zone allowing both residential and non-residential developments, the restriction on alienation except as a whole will be applicable to the portion of the lot where non-residential use is permitted which can be developed independently as a separate site, being the subject of the Pilot Scheme. If a portion of the site (e.g. with at least 60% of GFA) can be carved out for development as a standalone independent lot (i.e. under a separate land lease), LandsD will consider the case separately.

The land premium payable by the lot owner for the lease modification will be an amount as assessed by LandsD which is equivalent to the difference between the market value of the lot under the previous lease conditions and its market value under the modified lease conditions, based on the full market value of the GFA for the Initial Phase Development (i.e. at least 60% of the total permissible maximum GFA of the lot) and the preferred use proposed by the lot owner and approved by LandsD.

6. Lot owners should make reference to the sample application letter at **Appendix I** and follow the application checklist at **Appendix II** when preparing and submitting their applications. They should also acknowledge the “Note on Use of Personal Information Required in the Application” at **Appendix III** for any personal information provided in the applications.

Further Lease Modification for Realising the Remaining Development Intensity

7. The lot owner is expected to decide whether to proceed with realising and paying the land premium for the remaining balance of the total permissible maximum GFA (i.e. 40% or less of the total permissible maximum GFA) of the lot (“the Remaining Balance GFA”) or any portion of it through a further lease modification or lease modifications within ten years after completion of the Initial Phase Development (“the Ten-year Period”). For the avoidance of doubt, “completion of the Initial Phase Development” refers to the fulfillment of the BC as evidenced by the date of the first Occupation Permit issued by the Building Authority for the Initial Phase Development of the lot.

8. If the lot owner decides to realise the Remaining Balance GFA or any portion of it, he has to submit an application for a further lease modification to LandsD within the Ten-year Period, which application will be subject to the then prevailing statutory town plan or the Buildings Ordinance (Cap.123) in force at the time of the application. The restriction on alienation except as a whole imposed under lease as referred to in paragraph 5(b) above may be removed through this further lease modification at the sole and absolute discretion of LandsD, if the Remaining Balance GFA has been fully realised. The land premium payable by the lot owner for such further lease modification will be assessed based on the then prevailing full market value of the Remaining Balance GFA or the portion concerned, taking into account the further modified lease conditions.

9. If the lot owner does not pursue further lease modification referred to in paragraph 8 above within the Ten-year Period or there is any unrealised balance of the Remaining Balance GFA after the expiry of the Ten-year Period, the Government may thereafter, on application from other lot owners in the district, redeploy the development intensity and infrastructure

capacity of the Remaining Balance GFA or any unrealised balance thereof to other lots in the district⁵. As such, the lot owner shall acknowledge that there would be no guarantee that he could realise the Remaining Balance GFA or any unrealised balance thereof beyond the Ten-year Period in his application. In case the lot owner wishes to realise the Remaining Balance GFA or any unrealised balance thereof after the Ten-year Period, he should first approach the Planning Department to ascertain whether he could do so under the then prevailing statutory town plan before submitting any further lease modification application. Any further lease modification after the Ten-year Period will be subject to the then prevailing statutory town plan or the Buildings Ordinance (Cap.123) in force at the time of the application. Relevant departments may also require updated infrastructure impact assessments to confirm the feasibility of the subsequent development being the subject of the further lease modification.

10. Irrespective of whether the lot owner decides to realise or not to realise the Remaining Balance GFA or any unrealised balance thereof, he may apply for removal of the restriction on alienation except as a whole imposed under lease as referred to in paragraph 5(b) above upon the expiry of the Ten-year Period. LandsD will consider such application at its sole and absolute discretion, and any such application if approved by LandsD would be subject to such terms and conditions, including the payment of premium at full market value and administrative fees, as may be imposed by LandsD.

Other Points to Note

11. A list of applications approved under the Pilot Scheme, including the site location, user restriction and development intensity of the Initial Phase Development, etc. will be uploaded to LandsD website. LandsD will update the website from time to time to show whether any lot owner has submitted further lease modification as per paragraph 8 above to further realise the Remaining Balance GFA of his lot within the Ten-year Period. This will allow other lot owners in the district to assess if their lots could benefit from any unused development intensity and infrastructure capacity of the Remaining Balance GFA that may be redeployed to their lots under the Pilot Scheme upon expiry of the Ten-year Period, subject to relevant planning applications for planning permission or rezoning if required and infrastructure impact assessment as appropriate.

12. Lot owners are advised to engage competent professionals to assist them in making applications under the Pilot Scheme.

⁵ The Government may allow other development sites in the district to pursue a higher development intensity upon application by the relevant lot owners. Planning permission or rezoning may be required as appropriate. The relevant lot owners in the district may approach the Planning Department to enquire on whether they may utilise any remaining development intensity and infrastructure capacity in the district.

13. Nothing in this PN shall in any way fetter, affect or prejudice the rights of the Government, the Director of Lands and their officers under the relevant lease or the Government's rights as lessor or private landlord, and all such rights are hereby reserved. Besides, nothing in this PN, including any words and expressions used therein, shall in any way be construed as any variation or waiver of any provisions under the relevant lease or affect, prejudice or bind the Government in relation to interpretation or enforcement of the terms and conditions of the relevant lease or otherwise.

14. Every application submitted to LandsD under the Pilot Scheme pursuant to this PN will be considered on its own merits by LandsD at its sole and absolute discretion acting in its capacity as a private landlord. Please note that LandsD acting in its capacity as private landlord may, at its sole and absolute discretion, approve or reject any application submitted to LandsD pursuant to this PN. This PN shall not constitute any representation on the part of the Government or other authorities or give rise to any expectation that any application submitted to LandsD will be processed or approved.

15. This PN is issued for general reference purposes only. The Government shall at its sole and absolute discretion decide the applicability of the provisions of this PN to each individual case. All rights to modify the whole or any part of this PN are hereby reserved.



(Maurice LOO)
Director of Lands
29 May 2026

Sample Application Letter

Application for a Lease Modification (or a Land Exchange)
under the Pilot Scheme on “Pay for What You Build”

To: *District Lands Officer/[District], Lands Department /
Chief Estate Surveyor/[Section] , Lands Department

Dear Sirs,

(Lot number) _____ (“the Lot”)
(Address) _____

*I / We, _____ (name of the Lot owner(s)), the registered owner of the Lot, hereby apply for a *[Lease Modification / Land Exchange] in respect of the Lease / Conditions of *[Sale / Exchange / Grant] No. _____ dated the ____ day of _____ / New Grant No. _____ dated the ____ day of _____ #[as varied or modified by a Modification Letter dated the ____ day of _____ and registered in the Land Registry by Memorial No. _____] (“the *[Lease / Conditions / New Grant]”) under which the Lot _____ is held.

*I / We have read and confirm that *I / we understand the contents of the Lands Department (“LandsD”) Lands Administration Office Practice Note No. 2/2026 (“PN 2/2026”). Unless otherwise specified, the terms used herein are as defined in PN 2/2026. *I / we hereby expressly confirm, acknowledge and declare that:-

- (i) The Lot is situated in a zone designated for _____ [please specify the town plan zoning for the Lot] according to the *[Outline Zoning Plan (“OZP”) No. _____ / Development Permission Area Plan (“DPAP”) No. _____].
- (ii) The proposed preferred non-residential use(s) of the Lot is _____. *I / We agree that the preferred use needs to be well-defined with supporting information ⁽¹⁾ and LandsD retains full discretion as to whether such use will be acceptable for the purpose of formulating the user restriction under lease.
- (iii) The total permissible maximum Gross Floor Area (“GFA”) of the Lot is _____ m² under the *[OZP No. _____ / DPAP No. _____ / the Buildings Ordinance (Cap. 123)]. The proposed total GFA under application is _____ m², which amounts to _____ (please specify the percentage) % of the total permissible maximum GFA of the Lot ^{(1) & (2)}.

- (iv) If *I / we do not pursue further lease modification to realise the Remaining Balance GFA within the Ten-year Period or there is any unrealized balance of the Remaining Balance GFA after the expiry of the Ten-year Period as mentioned in paragraph 9 of PN 2/2026, the Government may thereafter, on application from other lot owners in the district, redeploy the development intensity and infrastructure capacity of the Remaining Balance GFA or any unrealized balance thereof to other lots in the district.
- (v) There is no guarantee that *I / we can realise the Remaining Balance GFA or any unrealized balance thereof beyond the Ten-year Period under paragraph 9 of PN 2/2026 in case *I / we wish to do so after the Ten-year Period. Before submitting any further lease modification application under paragraph 9 of PN 2/2026, *I / we will first approach the Planning Department to ascertain whether *I / we may do so under the then prevailing statutory town plan.

Details of the proposal are provided on separate sheet(s) attached to this application. To facilitate consideration of *my / our application, *I / we attach the Application Checklist at Appendix II of PN 2/2026 together with the required documents / information for your consideration.

*I / We hereby expressly warrant and declare that the above documents / information provided in support of *my / our application is / are correct and genuine and *I / we expressly acknowledge that *I am / we are aware and accept that the decision on the application will be made by the LandsD on the basis of the documents / information supplied by *me / us and *my / our application may be immediately rejected in the event that such documents / information is / are found to be false or misleading.

*I / We have read and understood the “Note on Use of Personal Information Required in the Application” at Appendix III of PN 2/2026 and hereby consent to the disclosure of *my / our personal data contained herein and in the attached documents to you and other Government bureaux or departments for the purpose of considering and processing my / our application.

*I / We further authorize and direct and request any Government bureaux or departments which may be approached by the LandsD to supply any and all documents / information which it may require for the purpose of considering and processing my / our application.

Yours faithfully,

Signature(s) of the *Lot owner(s) / authorized officer(s) for
and on behalf of the Lot owner(s):

(H.K.I.D. Card Number(s) of the Lot owner(s) (if applicable):

Name(s) of the Lot owner(s) in Block Letters: _____
*Name(s) and capacity of the authorized officer(s) of the Lot
owner(s): _____

Address of the Lot owner(s): _____

Telephone Number of the Lot owner(s): _____

Date: _____

* Delete as appropriate

Insert if applicable

Notes:

- (1) Details of the proposed GFA and preferred non-residential uses including the scope and mode of occupation and operation, business model, etc. will need to be provided on separate sheet(s) attached to the application.
- (2) Please provide the figure which is the lesser of that permitted under (i) the OZP or DPAP (as the case may be) and (ii) the Buildings Ordinance (Cap. 123).

Application Checklist

A. Documents / Information that must be submitted ⁽¹⁾ :

- (i) Details of the application clearly identifying the property concerned ⁽²⁾, the total permissible maximum gross floor area (“GFA”) under the relevant Outline Zoning Plan, Development Permission Area Plan or the Buildings Ordinance (Cap. 123), the variations being sought in respect of any terms and conditions of the existing lease conditions including the modification of any restrictions and development parameters (e.g. proposed preferred non-residential uses (with supporting information including the scope and mode of occupation and operation, business model, etc.), proposed total GFA together with its percentage relative to the total permissible maximum GFA, plan(s)/sketch(es) illustrating the delineation of different proposed non-residential uses with respective proposed GFA, etc.).
- (ii) A copy of an up-to-date location / site plan on an appropriate scale (normally 1:1000) showing the property.
- (iii) A copy of the Town Planning Board approval letter for the proposed preferred non-residential use, if applicable.
- (iv) A copy of a computer printout (either hard copy or soft copy) containing the current ownership particulars of the property.
- (v) If submitted by an agent, a written authorization from the principal who should be the registered owner or a prospective purchaser ⁽³⁾ of the property.
- (vi) If submitted by a prospective purchaser ⁽³⁾, a written consent from the registered owner of the property.
- (vii) An extract copy of the relevant Outline Zoning Plan (together with the explanatory notes, as appropriate) showing the property.
- (viii) An extract copy of the relevant Development Permission Area Plan (together with the explanatory notes, as appropriate) showing the property.

B. Documents / Information that will facilitate the processing of the application :

- (ix) For an application which involves portion(s) of a lot, or sub-divisions of any lot, to help expedite the verification of site areas and site boundaries, all relevant assignment plans or Deed Poll plans should be provided together with any relevant information relating to the delineation of the boundaries of these portion(s) or sub-divisions.
- (x) Sketch plans illustrating the proposed development ⁽⁴⁾, if available.
- (xi) Copies of any approved submissions by other relevant authorities relating to the development proposal or other relevant study assessment reports, if available (e.g. Approved Master Layout Plans under the Town Planning Ordinance, Environmental / Traffic / Drainage Impact Assessment Reports etc.)

Notes :

- (1) Please put a tick in the relevant box if applicable unless otherwise specified; and delete as appropriate.
- (2) Property includes all lots involved in a lease modification or land exchange application.
- (3) A prospective purchaser is an intending purchaser under an existing Agreement for Sale and Purchase registered in the Land Registry.
- (4) The proposal should be prepared and submitted by an Authorized Person or other competent professionals acting for the applicant.

Appendix III

Note on Use of Personal Information Required in the Application

(Please read the following before completing and submitting the application)

Purpose of Collection	The personal data provided in application pursuant to Lands Department Lands Administration Office Practice Note No. 2/2026 and its Appendices I and II will be used by the Lands Department for the purpose of considering and processing the application. The provision of the personal data is obligatory. If you do not provide the personal data, the Lands Department may not be able to process your application.
Class of Transferees	The personal data you provided may be disclosed to other Government bureaux / departments for the purpose mentioned above.
Access to Personal Data	The individual who is the subject of the personal data has a right of access and correction with respect to personal data as provided for in Sections 18 and 22 and Principle 6 of Schedule 1 of the Personal Data (Privacy) Ordinance. Such right of access includes the right to obtain a copy of the personal data provided upon payment of the applicable charge.
Enquiries	Enquiries concerning the personal data collected, including the request for access and correction, should be addressed to: Departmental Personal Data Controlling Officer of the Lands Department 20/F., North Point Government Offices 333 Java Road, North Point Hong Kong