



Pilot Scheme for Charging Land Premium at Standard Rates on Lease Modifications for Redevelopment of Industrial Buildings¹

To expedite the redevelopment of pre-1987 industrial buildings², Lands Department (“LandsD”) is introducing a special time-limited arrangement to enhance the **certainty** of the premium amount to be charged for lease modification or in-situ land exchange for the redevelopment of industrial lots³ under which the applicant for the lease modification may opt for the premium **to be charged at standard rates** (“the pilot scheme”). For the purpose of this Practice Note, any reference to a lease modification shall include an in-situ land exchange, where the context so admits or requires.

2. This pilot scheme is only applicable to lease modification of the industrial lots³ for the redevelopment of pre-1987 industrial buildings for commercial (including modern industrial) and/or residential uses⁴. For the avoidance of doubt, application for a lease modification for additional plot ratio pursuant to LandsD Land Administration Office Practice Note No. 2/2019 is not a pre-requisite for opting for the premium to be charged at standard rates.

3. This pilot scheme is a special time-limited arrangement. An applicant for the lease modification can continue to have the choice of having the premium to be assessed on the established case-by-case basis. During the two-year period from **15 March 2021 to 14 March 2023** (“the Period”), applicants may **opt** for the premium for the eligible lease modifications to be charged at standard rates (“the Option”) **not later than** the acceptance of the Provisional

¹ An industrial building (“IB”) refers to a building built for industrial and/or godown use on an industrial lot (see footnote 3 below). However, for the purpose of this Practice Note, IBs do not include special factories such as those located in industrial estates, storage premises in container terminals and flatted factories built by the Housing Authority, and those buildings on lots supporting special industries such as cargo handling uses, ship building and repairing, oil storage and refining and production of associated chemical by-product, manufacture of polystyrene plastics, manufacture and storage of chlorine, hydrogen and textile chemicals, etc.

² A pre-1987 IB refers to an IB which was wholly or partly constructed on or before 1 March 1987, or was constructed in accordance with building plans first submitted to the Building Authority for approval on or before 1 March 1987. For the purpose of this Practice Note, IBs which have completed wholesale conversion under the 2010 or 2018 IB Revitalisation Schemes are not considered as pre-1987 IBs and hence not eligible for the pilot scheme.

³ An industrial lot refers to a lot which, under the terms of its land grant, shall not be used for any purpose other than for industrial or godown purposes or both. For the purpose of this Practice Note, a lot that does not contain specific user restriction could also be regarded as an industrial lot. Vacant industrial lots which were occupied by pre-1987 IBs immediately before they became vacant are eligible for the pilot scheme.

⁴ For the avoidance of doubt, this pilot scheme is not applicable to redevelopment for special uses such as columbarium use. The decision by the Director of Lands as to whether a certain redevelopment is for special uses falling outside the ambit of this Practice Note, and whether a certain use amounts to commercial, modern industrial or residential use under this Practice Note, shall be final and binding on the applicant.

Basic Terms Offer (“PBTO”) for the proposed lease modification by completing the Option Form at **Appendix I** (“Option Form”). As the option is irreversible, no appeal against the premium to be offered pursuant to the pilot scheme under the Binding Basic Terms Offer (“BBTO”) for the proposed lease modification will be provided for or considered and fees paid for the application will be forfeited if the applicants decide not to proceed with the lease modification.

4. The premium to be charged at standard rates under the pilot scheme is not negotiable. It is the **difference** between the product of A and B **and** the product of C and D, i.e. premium⁵ = A x B – C x D, where –

- (i) **A** is the maximum total gross floor area (“GFA”) after the lease modification as stipulated in the lease modification document(s)⁶ to be determined by LandsD at its absolute discretion;
- (ii) **B** is the applicable standard rate as per paragraph 5 below in accordance with the geographical location of the lot(s) under application and the use after the lease modification. In respect of the use after the lease modification, it should be noted that residential rates are applicable to all applications not prohibiting private residential use, save for those falling within the zone of “Comprehensive Development Area” or “Other Specified Uses” for commercial-cum-residential uses under Outline Zoning Plan(s) and/or related planning approvals in which case the residential rate is applicable to the GFA not prohibiting private residential use whereas the commercial/modern industrial rate is applicable to the remainder GFA so specified in the lease modification documents. For the avoidance of doubt, hotel and hotel ancillary GFA will be treated as commercial use under the pilot scheme;
- (iii) **C** is the GFA of the pre-1987 industrial building(s) existing on the lot(s) under application or existed immediately before the lot(s) became vacant (collectively “the existing building”) as per the latest building plans of the existing building as approved by the Building Authority (“the approved building plans”), but excluding the GFA of any parking, loading and unloading spaces, plant rooms and other similar facilities not normally accountable for GFA under the Buildings Ordinance and any GFA in the approved building plans which do not comply with the lease conditions. The applicant shall provide a certificate by an Authorized Person (as defined in the Buildings Ordinance) or a Registered Professional Surveyor (as defined in the Surveyors Registration Ordinance) (“the Certificate”) certifying the above GFA. In case the applicant chooses not to provide the Certificate or the applicant chooses to adopt an alternative basis for determination of the GFA figure of “C” based on the GFA figure upon redevelopment of the site for industrial and/or godown use before the lease modification, as would have been adopted by LandsD in a case-by-case assessment, the applicant may provide the GFA figure on such basis (with or without supporting information) for LandsD’s consideration.

⁵ In case the premium as calculated is negative, no premium will be charged.

⁶ In determining the maximum total GFA for the purposes of paragraph 4(i) above, any floor space that is constructed or intended for use solely as Government Accommodations may be disregarded. If the Net Operation Floor Area (“NOFA”) of the Government Accommodations is stated in the lease modification documents, for the purpose of this Practice Note, the conversion ratio of the NOFA to GFA of the Government Accommodations is 1:1.8, e.g. 100m² NOFA = 180m² GFA. For the purposes of paragraph 4(i) above, Public Vehicle Park is GFA accountable unless specified to be exempted from GFA calculation in the lease modification document. If no maximum total GFA is stipulated in the lease modification document, the pilot scheme is not applicable.

LandsD will then determine the GFA figure on such alternative basis. For certainty and simplicity, such choice for alternative basis is irreversible. The decision of LandsD as to the GFA figure of “C” will be final and binding on the applicant⁷; and

- (iv) **D** is the applicable standard (Industrial/godown) rate⁸ as per paragraph 5 below in accordance with the geographical location of the lot(s) under application.

5. The standard rates to be applicable to the lease modification will be based on those in one of the following five broad regions (as delineated on the plan at **Appendix II**) where the lot(s) is/are situated. These standard rates will be valid throughout the Period.

Region	Use Before Lease Modification (Industrial/Godown)	Use After Lease Modification	
		Commercial/ Modern Industrial	Residential
Hong Kong Island	\$40,000/m ²	\$75,000/m ²	\$130,000/m ²
Kowloon East	\$40,000/m ²	\$65,000/m ²	\$100,000/m ²
Kowloon West	\$35,000/m ²	\$60,000/m ²	\$110,000/m ²
New Territories South	\$35,000/m ²	\$50,000/m ²	\$75,000/m ²
New Territories North	\$20,000/m ²	\$30,000/m ²	\$55,000/m ²

6. If the applicant opts for the premium to be charged at standard rates and LandsD accepts such option, the premium offer under the BBTO for straightforward cases⁹ will normally be issued to the applicant within five weeks from the date of receipt by LandsD of the acceptance of the PBTO.

7. Among the terms and conditions of the lease modification document, the maximum development intensity for redevelopment allowed under the lease as approved by LandsD and the modified building covenant will be imposed. The building covenant will be determined having regard to the complexity of individual cases, and will normally take effect upon the execution of the lease modification document.

8. As a transitional arrangement, for on-going lease modification applications with the PBTO already accepted or with the BBTO already issued but without acceptance of the premium offered as of the date of this Practice Note that would otherwise be eligible to opt for the premium to be charged at the standard rates, the applicants will be invited to opt by 30 April 2021 for the Option **once** without resubmitting the lease modification applications and payment of administrative fee again. This transitional arrangement will not apply to any lease modification application where the BBTO (including the premium offered) has already been accepted as of the date of this Practice Note, in which case the lease modification will proceed to execution.

⁷ The GFA figure may not be the same as provided by the applicant.

⁸ The rate is also applicable to land grants without user restriction.

⁹ For more complex cases such as land exchange cases with land title and/or boundary issues, the time required may be longer.

9. Subject to paragraph 8 above which is applicable only to cases eligible for the transitional arrangement, if the duly completed Option Form is not received by LandsD on or before the acceptance of the PBTO during the Period, the premium will be assessed in accordance with the established case-by-case basis. If any applicant subsequently wishes to opt for the use of standard rates after acceptance of the PBTO but before the acceptance of the BBTO, it will have to withdraw and resubmit the lease modification application, and the re-submitted application will be considered **afresh** subject to the established mechanism and time frame including the payment of the prescribed fees.

10. Every Option Form submitted to LandsD pursuant to this Practice Note will be considered on its own merits by LandsD acting in its capacity as a landlord and LandsD has the absolute discretion to decide whether to accept the Option. This Practice Note shall not constitute any representation on the part of the Government or other authorities or give rise to any expectation on the part of the applicant that any lease modification application or the Option submitted to the LandsD will be processed or approved. The premium for a lease modification is to be determined by LandsD at its absolute discretion. The decision by LandsD as to whether a lease modification application is eligible for opting for the premium to be charged at standard rates shall be final and binding on the applicant.

11. This Practice Note is issued for general reference purpose only. All rights to modify the whole or any part of this Practice Note are hereby reserved.



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