



Premium Assessment Procedure Relating to Lease Modification Transactions⁽¹⁾

Pursuant to discussions at the Land Sub-committee Meeting of the Land & Building Advisory Committee (LBAC) regarding measures to streamline and enhance the transparency of the premium assessment procedure in lease modification transactions, the Department has, in consultation with Hong Kong Institute of Surveyors (HKIS), reviewed its current procedure and has put in place a number of new practices.

2. This Practice Note (PN) sets out the revised premium assessment procedure is as follows : -

(i) **Initiation of Premium Assessment**

Generally speaking, the acceptance by the applicant of the offer of provisional basic terms (PBTO) and conditions for the proposed lease modification transaction issued by the District Lands Office (DLO) concerned together with the draft Special Conditions as approved by the District Lands Conference will trigger the premium assessment procedure. *(Note: For cases such as those requiring the completion of statutory procedure as a condition for execution of the lease modification document, the actual timing of the premium assessment will be adjusted to take into account the progress of the statutory process involved).*

To facilitate preparation of the premium assessment, applicants or their agents are invited to submit to the DLO concerned such information as they consider relevant to the premium assessment as soon as possible after their formal acceptance of the PBTO. The finalised premium assessment will then be submitted to the Valuation Section in LandsD/HQ for action under (ii) and (iii) below.

⁽¹⁾ The reference to lease modification transactions includes lease modifications to be effected by way of land exchanges.

(ii) **Vetting of the Premium Assessment Submission**

Upon receipt of a submission from the DLO, the Valuation Section will notify the applicants/agents and vet all submissions before referring them to the Valuation Committee (V. Com.)/Valuation Conference (V. Conf.) for consideration. During this period, applicants/agents may submit additional information and/or clarifications they consider relevant to the premium assessment direct to Valuation Section. It is important that this be done without delaying the referral of the premium assessment to V. Com./V. Conf. No negotiation on the premium assessment would be permitted.

(iii) **Consideration of the Premium Assessment**

Depending on the amount of the premium involved, the assessment will be referred to and decided by either V. Com. or V. Conf. V. Conf. will also consider appeals to assessments previously approved by V. Com.

(iv) **Communication of the Premium Assessment and the Issue of Binding Basic Terms Offer**

The premium will be communicated to the applicant by the DLO concerned by way of a binding basic terms offer. If the applicant disagrees with the amount of the premium, he or she may appeal against it. However, any revised assessment to be carried out will be at value current at the time of re-assessment, which could be the same as, or higher or lower than, the premium originally offered.

(v) **Consideration of Appeal against Premium Assessment**

On receipt of an appeal against the premium assessment, the DLO concerned will submit the case to the Appeal Team of the Valuation Section. Prior to submission of the premium appeal to V. Conf., the case officer in the Appeal Team will communicate with the applicant/agent on a non-committal and without prejudice basis. The case officer will exchange views with the applicant/agent on matters relevant to the premium assessment, including the basis of valuation, gross development values, construction costs of the development, comparables and relevant transaction evidence etc. Normally, at the final stage of this process, the case officer will also enquire if the agent has received any instruction from his/her clients as regards the latest counter-offer of premium for the proposed lease modification transaction for incorporation into a submission to V. Conf.

(vi) **Attendance at Valuation Conference**

The applicant/agent will be invited to attend the meeting of the V. Conf. to consider his/her premium appeal. The case officer will present the case to Members of V. Conf. in the presence of the applicant/agent who will then have the opportunity to elaborate on any arguments which he/she may have already put forward in any written submissions in support of a revised assessment. Deliberation of the case by Members of the V. Conf. will take place after the applicant/agent has left the meeting.

(vii) **Issue of Revised Offer on Premium Assessment**

After a decision has been made by V. Conf. on the premium appeal and a binding offer of the revised premium assessment has been issued, the case officer may, upon request of the agent, advise him/her of the major parameters adopted by V. Conf. in the premium assessment, which are substantially different from those put forward by the agent including any major arguments/comparables contained in the agent's submission that have not been accepted by V. Conf. The purpose of the above is to facilitate the consideration of the revised assessment by the agent's clients.

3. A flow chart highlighting the key steps referred to above is attached.

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Flow Chart
(Premium Assessment Procedure Relating to Lease Modification Transactions)

