

## Content

Title : Operation Principles of Processing National Non-public Real Estate by the National Property Administration, Ministry of Finance Combined with Target Business Supervisory Agency **Ch**

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Legislative : 1. Set by TaiPropAdChange Number 10350000600 letter of National Property Administration, Ministry of Finance on January 28, 2014

2. Amended, TaiPropAdChange Number 10550000010 letter of National Property Administration, Ministry of Finance on January 15, 2016

3. Amended, TaiPropAdChange Number 10650003980 letter of National Property Administration, Ministry of Finance on November 9, 2017

Content :

1. In order to facilitate the processing of improvement utilization of national non-public real estate deploying the format of commissioning or cooperation combined with target business supervisory agency for development according to Subparagraph 3, Paragraph 2, Article 47 of the National Property Act, the operation principles are hereby set.
2. The authority-in-charge of the operation principles is the National Property Administration, Ministry of Finance. The executing agency are the branch offices of the National Property Administration, Ministry of Finance. Target business supervisory agencies are the central and local government.
3. The definitions of the terms of the operation principles are as follows:
  - (1) Commissioned improvement utilization: National non-public real estate released in the format of lease spearheaded and planned by the target business supervisory agency for the development items, investment solicitation, lease contract signing, and managing the ensuing fulfillment of the contract.
  - (2) Cooperative improvement utilization: National non-public real estate released in the format of superficies spearheaded and planned by the target business supervisory agency for the development items, investment solicitation, investment and development contract signing (same for other names hereinafter), and managing the ensuing fulfillment of the contract. The executing agency is responsible for setting the superficies with the contracted party.
  - (3) Development royalty: All collected at once at time of setting superficies or royalty collected in installments during construction period.
  - (4) Operation royalty: Royalty collected in installments starting on the day of operation.
4. The national non-public real estate under the operation principles must not have any of the following conditions:
  - (1) Already approved for certain plan, purpose, or disposition by the Executive Yuan, Ministry of Finance, authority-in-charge, or the executing agency.
  - (2) Already leased or provided. However, that which the target business supervisory agency has already acquired rights waiver agreement from the user **owner** of usage right and promised to dispose the above-ground object is not bound by this condition.
  - (3) That which was agreed to be provided for application for development or that which was applied by the people to be zoned as reservation land for the aborigines.
  - (4) That which has been leased, purchased, commissioned to operate, or provided for application for development and has been notified of contract signing or payment has been underway.
  - (5) That which has been approved by the authority-in-charge as reserved for public use or that which has been applied for by other agencies.
  - (6) That which is prohibited by law from being leased or set superficies.

5. The processing procedure for commissioned or cooperative improvement utilization is as follows:
  - (1) Selecting object suitable for improvement utilization: The executing agency, according to the need of the target business supervisory agency, selects suitable national non-public real estate and makes a list to provide to the target business supervisory agency's assessment and planning.
  - (2) Contact for development consensus: The executing agency reaches consensus with the target business supervisory agency in terms of idea, items, for development, and object of improvement utilization.
  - (3) Report to sponsoring agency:
    - A. Executing agency, after receiving the idea, items, for development, and object of improvement utilization from target business supervisory agency, should report to authority-in-charge within 2 months or reply to target business supervisory agency.
    - B. When reporting to the authority-in-charge, the executing agency should provide the following: opinion on the process, copy of real estate registration, inspection table within the last six months, graph of current usage status, building arrangement drawing, pictures of overall status, proof of urban planning zoning, copy of land registration map, measurement result graph of the building (or building schematics), urban street map, and reference information such as processing method of above-ground building on national land, plan for applying urban planning or setting changes and schedule of process, public announcement of soliciting public opinion for self-planning, and preliminary planning report on planned items of development (waived if the target business supervisory agency has not applied).
  - (4) Approval by authority-in-charge: The authority-in-charge, after receiving the processing opinion and information reported by the executing agency, should review and reply within one month as to whether or not to approve to continue setting the work plan and contract draft.
  - (5) Items to do after receiving the approval letter: The executing agency, after receiving approval letter from the authority-in-charge, should proceed with the following items:
    - A. Terminate accepting applications for lease, purchase, commissioned operation, and provision for development application.
    - B. Cases that have been accepted for lease, purchase, commissioned operation, and provision for development application but have not sent out notification for signing contract, making payment, are to be annulled according to regulation.
    - C. Contact the target business supervisory agency to start drafting the work plan on the improvement utilization of national nonpublic real estate (Work Plan hereinafter) and contract draft within one year. If necessary, it can be extended 6 months after acquiring approval from the authority-in-charge for one time only. If the Work Plan and contract draft are not provided within the allowed timeframe, the target business supervisory agency may be notified of termination of improvement utilization and copy of the termination sent to the sponsoring agency.
    - D. After receiving the Work Plan and contract draft from the target business supervisory agency, target business supervisory agency and related agencies should be invited to discuss the content of the project within two months.
    - E. The meeting record in which consensus has been reached with the target business supervisory agency, Work Plan and contract draft are to be reported to the authority-in-charge along with copy of real estate registration, inspection table within the last six months, graph of current usage status, building arrangement drawing, pictures of overall status, proof of urban planning zoning, copy of land registration map, measurement result graph of the building (or building schematics), urban street map, calculation method and reasons for the divided income ratios, schedule of investment solicitation, and reference information such as processing method of above-ground building on national land, plan for applying urban planning or setting changes and schedule of process, public announcement of soliciting public opinion for self-planning, and preliminary planning report on planned items of development (waived if the target business supervisory agency has not applied).)
    - F. When necessary, the executing agency may petition the target business supervisory agency to commence entrusting the object of improvement utilization first.
  - (6) Content of Work Plan and contract draft as discussed by the authority-in-charge: The authority-in-charge invites the target business supervisory agency, executing agency, and

related agencies to discuss over the content of the Work Plan and contract draft.

- (7) Approval by Ministry of Finance: The authority-in-charge reports the Work Plan to the Ministry of Finance for approval.
- (8) The authority-in-charge forwards the Work Plan: After receiving the approval on the Work Plan from the Ministry of Finance, the authority-in-charge forwards the approval to the executing agency.
- (9) Signing commissioned or cooperative improvement utilization contract (Improvement Utilization Contract hereinafter):
  - A. The executing agency signs the Improvement Utilization Contract with the target business supervisory agency according to the approved Work Plan and hands over the object of improvement utilization to the target business supervisory agency.
  - B. The executing agency and the target business supervisory agency must complete the contract signing and hand-over process within two months of approval of the Work Plan. If necessary, with the agreement of the authority-in-charge, an extension of one month may be granted; if not completed by the end of the timeframe, the executing agency may report to the authority-in-charge or terminate the execution of the Work Plan by itself.
- (10) Cooperate in drafting the tender documents: The target business supervisory agency invites the executing agency to draft the tender documents and conducts investment solicitation after acquiring approval from the executing agency.
- (11) Setting superficies: For cooperative improvement utilization project, superficies is to be set by the executing agency with the winning bidder.
- (12) Processing of the above-ground building and facility at the end or termination of the contract: The above-ground building and facility at the end or termination of lease or superficies should be processed according to Item 2 of Point 12.

6. The object of improvement utilization of the consensus reached as in Subparagraph 2 of the previous point having national public real estate involved should be processed according to the following:

- (1) Sending an inquiry letter to the supervisory agency of national public real estate (managing agency hereinafter) to see if the real estate is still required to be kept for public use:
  - A. When the managing agency is the target business supervisory agency: The executing agency sends a request letter requesting the target business supervisory agency to change to non-public property or abolish the use according to regulations (change to non-public property hereinafter).
  - B. When the managing agency is not the target business supervisory agency: The executing agency sends an inquiry letter to the managing agency to see if the real estate is still required to be kept for public use and for the property not necessary for public use, to notify to change to non-public property. When reporting to the authority-in-charge or the sponsoring agency, carbon copy the executing agency. When managing agency replying as necessary, the executing agency should forward the notification to the target business supervisory agency.
- (2) Managing agency processing the change to non-public property: The managing agency reports the change to non-public property case to the supervisory agency or the authority-in-charge and carbon copy the executing agency.
- (3) The executing reports to the authority-in-charge according to Subparagraph 3 in the previous point: The executing agency having received the carbon copy of the change to non-public property from the managing agency may report to the authority-in-charge according to Subparagraph 3 in the previous point.
- (4) Approval by authority-in-charge: The authority-in-charge shall review the the processing opinion and information from the executing agency reviews within one month of receipt. When conditions prescribed in Point 4 do not exist, reply to the executing agency on the

approval on the change to non-public property and transfers to the authority-in-charge, process the improvement utilization with the target business supervisory agency, and may proceed on drafting the work plan and contract draft.

- (5) Ensuing items the executing agency does after receiving the approval letter:
  - A. Invite target business supervisory agency and related agency for a meeting on the content of the work plan and contract draft.
  - B. Report the inspection information and opinion on the change to non-public property case.
  - C. Report the meeting record, work plan, and contract draft to the authority-in-charge according to Subparagraph 5 of Paragraph 5 in the previous point.
- (6) The authority-in-charge discusses the content of the work plan and contract draft according to Paragraph 6 of the previous point.
- (7) The Ministry of Finance approves the change to non-public property: The national public real estate is approved by the Ministry of Finance for the change to non-public property; or, approved by the Executive Yuan for termination of parceled usage and approved by the Ministry of Finance for the change to non-public property.
- (8) The Ministry of Finance approves the work plan: The authority-in-charge reports to the Ministry of Finance for approval according to Paragraph 7 of the previous point. After approval, process according to Paragraphs 8 to 12 of the previous point.

7. The work plan should clearly state the following:

- (1) Cause of the project
- (2) Basis of the project
- (3) Project area and status of real estate rights
- (4) Project goal
- (5) Current status of the land usage and control regulations
- (6) Method of processing
- (7) Processing agency and duration
- (8) Responsibility and rights of the authority-in-charge and the subject of the commissioned or cooperation party
- (9) Method of handling land improvement object
- (10) Fundraising method
- (11) Efficacy assessment

For the efficacy assessment as in the Subparagraph 11 of the previous paragraph, the following should be included:

- (1) Augment government treasury:
  - A. Estimate separately the income from royalty, land rent or rent for the sponsoring agency and target business supervisory agency during the contract period of the improvement utilization.
  - B. Estimate income from land tax, building tax, and business tax.
- (2) Enhance economic momentum: estimate the possible investment from the private sector, total possible production value, and number of jobs created.
- (3) Management cost saving
- (4) Other intangible unquantifiable benefits

8. The basis of revenues for the target business supervisory agency conducting investment solicitation from the national non-public property's improvement utilization are as follows:

- (1) Commissioned improvement utilization:
  - A. Rent from national non-public land, rent and operation royalty from above-ground national non-public building should be collected. However, that which is deemed

necessary by the target business supervisory agency and the executing agency, with the approval by the authority-in-charge, can have only the rent collected.

B. Basis for the rent and operation royalty is to be set by the target business supervisory agency depending on the conditions of each individual case and the nature of the development.

(2) Cooperative improvement utilization:

A. Land development royalty, operation royalty, and land rent from the national non-public land should be collected. However, that which is deemed necessary by the target business supervisory agency and the executing agency, with the approval by the authority-in-charge, can have only the development royalty and land rent collected.

B. Basis for development royalty, operation royalty, and land rent are to be set by the target business supervisory agency depending on the conditions of each individual case and the nature of the development. However, if any of the following exists, the development royalty is to be processed according to the following rules:

(a) When the development royalty is lower than the total sum of the operation royalty for the duration of superficies, proper reasons and viable financial plan, risk control assessment and other information must be submitted to the executing agency to forward to the authority-in-charge for approval.

(b) Business which uses the superficies for mortgage to pay for the development royalty must apply to the target business supervisory agency within 5 days of winning the bid by paying 30% (inclusive) of the above development royalty and signing the superficies contract, and then pay off the rest of the development royalty after getting the mortgage.

(c) Business which uses the superficies for mortgage to pay for the development royalty during the construction period must apply to the target business supervisory agency and pay off all development royalty before proceeding.

9. The responsibility and rights of the executing agency and target business supervisory agency signing the improvement utilization contract should include the following:

(1) Executing agency:

A. Check and hand over national non-public real estate to target business supervisory agency.

B. Cooperate in issuing or assisting in providing related documents or affixing seals.

C. Cooperate with target business supervisory agency in drafting tender documents and may send personnel to participate in bid selection.

D. Terminate the improvement utilization contract if the target business supervisory agency fails to solicit investment in time.

(2) Target business supervisory agency:

A. After receiving and checking over the national non-public real estate, diligently manage and maintain the property, and implement environment protection, green beautification and other necessary management items. If occupancy by others occurs, the target business supervisory agency is responsible in excluding such occurrence and pursuing compensation according to Point 18.

B. Draft tender documents and complete the investment solicitation process after acquiring approval. If the investment solicitation is not completed within deadline, the target business supervisory agency must notify the executing agency before the deadline to report to the authority-in-charge for extension approval.

C. Responsible for the management or operations before the completion of investment solicitation.

D. Responsible for the contract fulfillment and operations after investment solicitation. Any rights and duties incurred with any other party, with the non-imputable circumstances as prescribed in the latter section of Paragraph 2 of Point 12, are to be supervised and handled by the target business supervisory agency.

E. After handing over of the national non-public real estate, the target business supervisory agency is responsible for any discarded wastes or dirt, underground water contamination in urging the businesses or, by itself, to clean, ameliorate, or treat within the deadline as prescribed by related environmental laws.

F. Prohibited from making changes in the urban plan or purpose of the object of the improvement utilization. However, work plan that is regulated otherwise or approved by the sponsoring agency as reported by the executing agency is not within such limit.

G. By the end or termination of the contract, for the above-ground buildings and facilities, unless as agreed the executing agency to be transferred to the country for free, or the ownership is acquired by the local government and the legal usage of national land, the target business supervisory agency must vacate by self or supervise contractor within the deadline and return the real estate. The target business supervisory agency will be responsible for excluding occupancy and pursue compensation according to Point 19 if the object is not returned on time.

10. The target business supervisory agency should conduct open investment solicitation and is prohibited from directly designating a certain subject for development. The tender documents prescribed in Subparagraph 2 of Paragraph 2 in the previous point should include but is not limited to the following conditions:

(1) Commissioned improvement utilization:

A. Sponsored in the format of bidding for annual land rent (rate) or operation royalty, or listed as a necessary item for evaluation. However, that which has been approved by the authority-in-charge according to related regulations on the target business supervisory agency is not within such limit.

B. Lease timeframe:

(a) Maximum of 10 years for improved building

(b) Maximum of 20 years for building base

(c) 6 to 10 years for other land

C. Conditions on limitation on lease right (including time and sublease qualification), lease extension at the end of lease or before the end of lease (including number of times, duration) are to be set by the target business supervisory agency based on the status of the case and the nature of the development.

D. Lessee cannot request setting superficies.

(2) Cooperative improvement utilization:

A. Sponsored in the format of bidding for development royalty or operation royalty or listed as a necessary item for evaluation.

B. Superficies is for maximum of 70 years.

C. Superficies cannot be divided or transferred. Same applies to the above-ground built buildings and facilities which are to be managed and operated as a whole. However, full or partial transfer is permitted with one of the following conditions:

(a) The full ownership of the above-ground buildings and facilities is transferred to a single third party.

(b) For the purpose of investment solicitation, the target business supervisory agency requests the winning bidder to donate the ownership of the private above-ground buildings and facilities to local government for charity.

The base price of the above bidding or item listed as necessary for evaluation is to be set by the target business supervisory agency based on the status of the case and the nature of the development.

11. Target business supervisory agency may, before conducting open investment solicitation, provide national non-public real estate to all levels of government agency or the public for short-term use.

The aforementioned provision for short-term use is permitted to charge usage fee which is to be set by the target business supervisory agency based on the status of the case but not lower than the following basis:

(1) Land: 5% per annum of the land price at the time of reporting  $\times$  usage area  $\times$  number of days of usage/365.

(2) Improved building object: 10% per annum of the tax at the time of reporting  $\times$  usage area  $\times$  number of days of usage/365.

Those special situations of temporary or emergency official purpose or public usage, may be used free of charge after acquiring approval by the executing agency from the request of the target business supervisory agency.

The duration of usage as prescribed in first item and the above item cannot exceed 3 months and cannot have buildings built.

12. Those buildings and facilities on the national non-public land as stated in the improvement utilization contract, lease contract or superficies that are permitted for registering ownership for the first time, when registering, the target business supervisory agency or winning bidder must have the executing agency accompanied and set the Republic of China (executing agency) as the obligee.

By the end of the lease or superficies, or termination due to imputable reason by the contracted party, for the above-ground buildings and facilities, unless as agreed the executing agency to be transferred to the country for free, or the ownership is acquired by the local government and the legal usage of national land, the target business supervisory agency must vacate. Termination due to imputable reason by the contracted party is to be discussed in terms of handling by the executing agency, target business supervisory agency and the contracted party.

13. The funding burden for processing national non-public real estate is as follows:

(1) Related taxes of national non-public real estate:

A. The land tax or building tax of national non-public real estate: To be borne by the executing agency, however not limited to if the target business supervisory agency agrees to bear the cost.

B. Other taxes other than the prescribed one in the above (including but not limited to business tax): To be borne by the target business supervisory agency.

C. Taxes as prescribed in the above 2 points to be borne by the target business supervisory agency which the target business supervisory agency has not included as part of the cost for calculating the divided income and does not violate related laws and regulations, the contracted party may bear the cost after settlement.

(2) The fund prior to investment solicitation (including pre-planning, building renovation, drafting tender documents, maintenance fee): To be borne by the target business supervisory agency.

(3) The fund of investment solicitation, contract signing and contract fulfillment management (including investment solicitation announcement, promotion marketing, contract fulfillment management, supervising operations, maintenance fee): To be borne by the target business supervisory agency.

14. Revenue sources of processing national non-public real estate are as follows:

(1) Rent and operation royalty from commissioned improvement utilization.

(2) Development royalty, operation royalty, and land rent from cooperative improvement utilization.

(3) Short-term usage fee as prescribed in Point 11.

(4) Usage compensation pursued as prescribed in Points 18 and 19.

The nature of each of the derivative revenue from the national no-public real estate prescribed in the operation principles, besides the related fees stipulated by law or otherwise stipulated by laws of the central government, should be determined and processed according to Point 15.

15. The revenue source and its method of distribution of processing national non-public real estate are as follows:

(1) Land rent and the usage compensation as prescribed in Paragraph 1 of Point 18 from the cooperative improvement utilization of national non-public real estate are all to be collected by the executing agency. The rest of the revenue sources are to be distributed according to the settled ratios between the executing agency and the target business supervisory agency. However, when one of the following occurs, the land rent may be included into the divided income revenue:

- A. Operation royalty not included.
- B. That which is deemed necessary by the target business supervisory agency and approved by the authority-in-charge.

(2) The method of calculating the ratios of divided income is otherwise set by the authority-in-charge.

(3) The rent or land rent collected by the executing agency from the commissioned improvement utilization or cooperative improvement utilization cannot be lower than the sum of land tax, building tax, and operation fees borne by the executing agency.

The settled result of the distribution method aforesaid divided income should be clearly stated in the improvement utilization contract.

16. During the national non-public real estate improvement utilization contract period, the executing agency should conduct contract fulfillment inspection and may notify the target business supervisory agency at appropriate times to provide explanations on investment solicitation, operations, revenue and expenditure, or accounting, or may inspect on site.

The executing agency should compile the inspection record within 15 days of inspection into a letter to be sent to the target business supervisory agency, who must respond to the executing agency with the corrections made and explanations within one month of receiving the inspection record.

The executing agency must report the annual inspection results of the previous year to the authority-in-charge by the end of February every year.

The form and format for the annual the inspection record and inspection result are to be set by the authority-in-charge.

17. Within one month of receiving all the revenues, the target business supervisory agency should make payment to the executing agency according to the item and ratio of divided income as stipulated in the improvement utilization contract. The revenue for the period of contract termination should be paid within one month from the ending date.

18. Method of processing the occupied national non-public real estate of already-signed improvement utilization contract is as follows:

(1) Occupied before the handover:

- A. The target business supervisory agency should exclude the occupancy according to the improvement utilization contract and pursue compensation from the occupant based on the improper gain offense in the Civil Code.
- B. The usage compensation during occupancy is calculated based on the rent base as prescribed by law.
- C. The full amount of the usage compensation should be paid to the executing agency.

(2) Occupancy after handover but before investment solicitation:

- A. The target business supervisory agency should exclude the occupancy according to the improvement utilization contract and pursue compensation from the occupant based on the improper gain offense in the Civil Code.

B. The usage compensation during occupancy is calculated based on short-term usage fee calculation method as prescribed in Paragraph 2 of Point 11.

C. The usage compensation may be divided for both the executing agency and the target business supervisory agency after both parties have settled on the dividing ratio.

19. The method of processing for contracted party not returning the national non-public real estate at the end of lease and superficies or termination of contract imputable to the contracted party is as follows:

(1) The target business supervisory agency should exclude the occupancy according to the improvement utilization contract, investment development contract, and lease contract and pursue compensation from the occupant based on the improper gain offense in the Civil Code.

(2) The usage compensation during occupancy is calculated based on the rent base as prescribed in the lease contract or superficies contract or land rent and operation royalty. However, if sum of the original lease or superficies contract or land rent and operation royalty is lower than that of the base stipulated by law, the base stipulated by law will be the calculation method.

(3) The usage compensation may be divided for both the executing agency and the target business supervisory agency after both parties have settled on the dividing ratio.

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Data Source : Ministry of Finance, R.O.C. Laws and Regulations Retrieving System