

29 January 2008

Clerk to Subcommittee
The Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

BY FAX & POST
#21857845

Attn: Mr Anthony Chu

Dear Mr Chu

**Subcommittee on West Kowloon Cultural District Development
Meeting on Friday, 4 January 2008**

I refer to your letter dated 4 December 2007 and would like to thank you for inviting the Institute to present its views on the "West Kowloon Cultural District Development" at the Subcommittee meeting on 4 January 2008.

In this connection, I have pleasure in enclosing a written submission (in English only) of the presentation given by our representative Dr Paul HO at the meeting for the consideration of the Subcommittee.

Yours sincerely

Margaret Yung
Manager

Encl.

West Kowloon Cultural District (WKCD) Development

Introduction

1. Reference is made to the LegCo letter dated 4th December 2007, inviting the Hong Kong Institute of Surveyors (HKIS) to express its views on the Government's proposal for the WKCD project. In this paper, HKIS would like to give our views relating to the development parameters, completion date, financial approach, establishment of WKCD Authority and disposal of land.

Key Development Parameters of WKCD

2. While HKIS does not have a strong view on the maximum overall plot ratio of 1.81 and the maximum building heights ranging from 50 to 100 mPD, it is noted that one of the proposed development parameters is on residential development which should not be more than 20% of the total GFA. As land is a valuable resource in Hong Kong, it is wondered whether the Government has conducted any study on the best development mixes for this site.
3. It is proposed as one of the development parameters that there will be 23 hectares of public open space, but 15 hectares are at ground level. Compared with total site area of approximately 40 hectares within WKCD, the open space to be provided at ground level is only about 37% which is considered to be low.
4. It is also noted that the Government would incorporate the aforesaid key development parameters and the Master Plan submission requirement into the draft South West Kowloon OZP for the Town Planning Board's approval in the first quarter of 2008. Once the amended OZP has been approved, it would dictate the Master Plan to be prepared by the future WKCD Authority. If some of these key development parameters are inherently inappropriate, the WKCD Authority or the Government may have no way to produce the best Master Plan for the overall benefit of the public.

Targeted Completion Date

5. It is very fortunately that the whole WKCD project has to be re-planned from scratch after nearly 10 years fruitless debate. Now the WKC project is started again. There is no doubt that the public wishes the WKCD project to be completed soonest possible. However, the phase 1 of the core arts and cultural facilities (CACF) would not be able to be operative until 2014 - 15, i.e. 7 years from now. It is thus considered that the Government should find the way to accelerate the progress of the project. Where possible, the Government should target to complete and open the phase 1 arts and cultural facilities within 5 years from now.

Financing Approach

6. In our previous submissions, HKIS has clearly pointed out that the WKCD is not financially free-standing and will require cross-subsidies through the property development on this 40-hectare land. This view has been shared by the Subcommittee. Based on the Government's paper No. 17/2007, the capital costs of about \$21 billion are essentially financed by the revenue generated from the land sale of the residential, hotel and office parts of the WKCD site, whereas the operating deficits of the core arts and cultural facilities of about \$6.7 billion are met by the rental incomes from the retail, dining and entertainment facilities. The arts and cultural facilities require significant public subsidies both in capital and operating costs. Thus, as a matter of accountability for the public, the Government should demonstrate the value for money by a cost-benefit analysis for the overall (if not individual) arts and cultural facilities within the WKCD.
7. With a substantial increase in land prices in the recent years, it is expected that the land sale proceeds would be higher than those amount estimated in the year 2006. There is no need to reduce the original scale of the core arts and cultural facilities and release more GFA for office development in order to bridge the funding gap as suggested in the aforesaid paper.
8. The future WKCD Authority would need to run a sizeable portfolio of commercial properties in order to earn \$6.7 billion rental incomes to subsidy its operating deficits. In other words, the rental income from the commercial properties is primarily the life blood of the arts and cultural facilities. Thus, whether the whole WKCD Authority would be operated on a "self-sustainable basis" would hinge on how good the future WKCD Authority would run the property business. If this financing approach is ultimately adopted, it is considered that the Government should appoint the appropriate board members to look after this important business.

Establishment of the WKCD Authority

9. As pointed out in HKIS's previous submission, modern management of arts and cultural facilities is moving towards community-centred (rather than bureaucratic) approach for catering the changing community's needs. It would be better to keep the WKCD out of the Government structure. If the WKCD organisation is to own all valuable public assets of the WKCD including its properties, art collections and fiduciary interests, it would be necessary to set up a statutory WKCD Authority for managing the whole arts and cultural district within the WKCD boundary. The proposed WKCD Authority should be backed up with the relevant legislations including its functions, powers, composition of the governing board, establishment of the chief executive officer, financial arrangement, land grants, reporting, audit and accountability arrangements in the similar manner as the Airport Authority Ordinance and Urban Renewal Authority Ordinance.
10. However, HKIS would like to point out that the establishment of the WKCD Authority by itself would not be able to fulfil its vision to be an integrated arts and cultural district, meet the long-term infrastructure needs of Hong Kong's arts and cultural development,

organic growth and development of culture and creative industries, cultural hub for attracting and nurturing talents, and impetus to improve quality of life and cultural gateway to the Pearl River Delta; otherwise, the Government should firstly set up a similar authority to take over the arts and cultural facilities managed by the Leisure and Cultural Services Department. It appears that the success of WKCD would hinge on whether the Government would be able to appoint the appropriate committed and competent members into its governing board and, more importantly, how well the executive arm of the WKCD Authority would execute its jobs in a business-like manner, while taking care of the changing community's needs.

Disposal of Commercial Land

11. In line with HKIS's previous submission, it is agreeable that the commercial sites for residential, office and hotel development within the WKCD should be disposed of by the government to private developers under the normal land sale mechanism.

The Hong Kong Institute of Surveyors
Submitted for the LegCo Meeting on 4 January 2008