
INFORMATION NOTE

Management, Operation and Financing of a Cultural District: The Case of Abandoibarra in Spain

1. Introduction

1.1 The Subcommittee on West Kowloon Cultural District Development of the Legislative Council, at its meeting on 4 February 2005, requested the Research and Library Services Division to provide information on the management, operation and financing of comparable arts and cultural facilities in overseas places. This information note provides the Subcommittee with information on the case of the Abandoibarra Project in Spain, which is comparable to the West Kowloon Cultural District.

1.2 A research over various overseas places indicates that there are very few cultural district projects with a scale comparable to the West Kowloon Cultural District. Most of the prominent cultural attractions in overseas places, such as the Tate Modern, the Lowry and the Eden in the United Kingdom (UK), the Royal Ontario Museum Expansion in Canada, the Walt Disney Concert Hall in the United States, and the Esplanade in Singapore are cultural facilities instead of cultural districts. On the other hand, while the scale of some district projects, such as the Docklands in the UK, the Docklands Development Project in Dublin, and Donau City in Vienna, may be analogous to the West Kowloon Cultural District, the prime objective of such projects is to promote business and commerce.

1.3 The Abandoibarra Project is selected for this study because of its similarities to the West Kowloon Cultural District in such aspects as scale of development, emphasis on culture in strategic urban planning, making a waterfront site into a new icon for culture and leisure, and integration of the commercial and residential development into the cultural facilities.¹ In addition, the establishment of a public-private partnership for a monumental museum in Abandoibarra can be taken as useful reference to the West Kowloon Cultural District development.

1.4 A comparison of the Abandoibarra Project and the West Kowloon Cultural District Project is presented at the **Appendix**.

¹ As one of the winners of the Fifth European Urban and Regional Planning Awards 2004, the Abandoibarra Project was praised as *"an impressive example of the creation of a new cultural and business district in the heart of the city (of Bilbao) with residential building, public facilities and open green spaces"*. European Council of Town Planners (2004), p. 9.

2. Core facilities of the Abandoibarra Project

2.1 The Abandoibarra project is the centerpiece of the urban redevelopment schemes for Bilbao. With a population of about a million, Bilbao is the capital of the Bizkaia Province in the Autonomous Community of the Basque Country on the Atlantic coast of northern Spain. Abandoibarra is a river waterfront district of 348 500 sq m located in the heart of the metropolitan area of Bilbao.

2.2 Formally started in 1998, the Abandoibarra Project provides the following core facilities:²

- (a) a series of landmark infrastructures, including the Guggenheim Museum, the Euskalduna Conference and Concert Hall, and a maritime museum;
- (b) 600 luxury housing units covering 78 500 sq m;
- (c) offices of 73 500 sq m, including an office tower to house the Bizkaia Provincial Government;
- (d) a shopping and leisure centre of 25 500 sq m;
- (e) shops of 5 500 sq m;
- (f) university facilities of 15 000 sq m, including a library;
- (g) a hotel of 13 000 sq m; and
- (h) green areas of 120 000 sq m, including a three-kilometre pedestrian promenade.

² The information is available from <http://www.bilbaoria2000.com/2engl/2areas/1abandoibarra/paginas/00.html>. [Accessed February 2005].

3. Development of the Abandoibarra Project

Background

3.1 The idea of developing Abandoibarra was first unveiled in the General Urban Zoning Plan of Bilbao (PGOUB) drawn up by the Bilbao City Council in 1987. PGOUB was a master plan for regenerating Bilbao. During the 1980s, the city was not only one of the worst polluted areas in Spain but also in rapid decline owing to the serious recession in its key economic sectors, such as mining, metallurgy, manufacturing and shipbuilding. Occupied by sparsely-used and state-owned port and railway facilities and derelict industrial sites, Abandoibarra was pinpointed by PGOUB as the most representative "*opportunity site*" left out by deindustrialization and economic decline that could be redeveloped to lead the urban regeneration of Bilbao.

Project theme

3.2 Using culture as a development theme, PGOUB attempted to remake the Abandoibarra waterfront site into a new icon for culture and leisure. Such cultural development would be integrated into commercial and residential development. The general idea of PGOUB was to develop Abandoibarra into an area of mixed uses, including not only cultural and tertiary education facilities but also tourism-related infrastructures, public and private office spaces, and luxury residential areas. The ultimate goal was to transform the image of Bilbao from a declining labour-intensive manufacturing city into a new post-industrial revitalized metropolis with a "*cultural magnet*",³ attracting high value-added services, especially banking and insurance, high technology and specialized commerce.

Concept competition

3.3 To seek a detailed proposal for the Abandoibarra Project, the Bilbao City Council launched in 1993 an international urban planning competition to invite conceptual plans for Abandoibarra. The design presented by American architect Cesar Pelli was the winner of the competition. Cesar Pelli's design designated over 200 000 sq m for landmark infrastructures and tertiary uses. Nevertheless, it has been revised successively, notably to meet the increasing demand of the property market and to take public spaces more into account, while PGOUB's focus on culture remains.

³ Bianchini and Parkinson (1993), p. 80.

4. Management, operation and financing of the Abandoibarra Project

Management

4.1 The Abandoibarra Project is not managed by the government nor a single private developer but by a non-profit limited liability company, known as Bilbao Ria 2000.⁴ Established in 1992, Bilbao Ria 2000 is a "*private firm of public shareholders*", which is owned in equal parts by two groups of public authorities:⁵

- (a) the central Spanish Government via the Ministry for Economic Promotion and a number of dependent companies, namely SEPES (a public property company), the Bilbao Port Authority, the RENFE and FEVE national railway companies; and
- (b) the local and regional public authorities, namely the Basque Government, the Bizkaia Provincial Council, the Bilbao City Council and the Barakaldo City Council.

4.2 The Board of Directors of Bilbao Ria 2000 comprises 20 top representatives of the public authorities. It is chaired by the Mayor of Bilbao. Its deputy chair is the Secretary of State for Infrastructure and Planning at the Ministry of Development of the central Spanish Government.

4.3 The remit of Bilbao Ria 2000 is "*to recover degraded areas and run-down industrial zones in metropolitan Bilbao, thus helping achieve balanced development and making the city more cohesive*".⁶ Its functions include:

- (a) co-ordinating and implementing related actions on urban planning, transport and the environment;
- (b) determining the schedule of the development projects;
- (c) implementing necessary site operations before making the development projects available for private sector initiatives; and
- (d) searching for investors and financing options.

⁴ Website of Bilbao Ria 2000. Available from:
http://www.bilbaoria2000.com/2eng1/1br_2000/paginas/01.html. [Accessed February 2005].

⁵ Ibid.

⁶ Ibid.

4.4 The creation of Bilbao Ria 2000 was initiated by the Ministry of Public Works and Transport and the Environment (currently the Ministry of Development) of the central Spanish Government. It represented a new management model for urban planning in Bilbao, in which stakeholders at different levels were to take part: the City Councils which traditionally held the urban planning and implementation powers, the Basque Government which possessed fiscal powers, and the central Spanish Government which owned most land in Bilbao. It has been expected that integrating public authorities in one company can create sufficient support for the Abandoibarra Project, minimize bureaucratic procedures, thus speeding up the execution of the Project.

Operation

4.5 Created with an initial share capital of €1.8 million euros (HK\$18.2 million), Bilbao Ria 2000 has been run on a self-financing basis, with its operating costs being covered by proceeds from sales of land owned by the stakeholders and assigned to Bilbao Ria 2000.

4.6 Bilbao Ria 2000 has adopted a multi-package approach in the delivery of the Abandoibarra Project. The Project has been divided into separate tenders. The land owned by Bilbao Ria 2000 has not been leased to one private developer for integrated development. Instead, it has been divided into smaller land parcels for leasing in phases to different developers for development. According to Bilbao Metropoli-30, which is an association initiated by the Basque authorities to promote public-private partnership in the regeneration of Bilbao, as the redevelopment of Bilbao attempted to incorporate private developers, the idea of selecting a single developer for the whole Abandoibarra Project was not considered.

Financing

4.7 The Abandoibarra Project is self-financed through sales of land in Abandoibarra, without any direct investment costs from the public sector. The stakeholders of Bilbao Ria 2000 assign the land parcels they own in the central areas of Bilbao and Barakaldo to Bilbao Ria 2000. The land parcels are rezoned by the Bilbao City Council and the Barakaldo City Council. Bilbao Ria 2000 invests in the development of the land by reclaiming the land parcels via private banks' loans, and reselling them to private developers. Revenues from sales of these land sites are used to fund projects on the sites that could not be self-financed, such as the Guggenheim Museum Bilbao.

4.8 The only land sale recorded so far has been the site for the shopping centre run by a consortium of French, American and Basque firms. A private university, the University of Deusto, has committed itself to locating its new library in Abandoibarra. The Bizkaia Provincial Government will also move its offices to Abandoibarra. Initiatives to attract international investors are being made. No specific arrangements for commercial office space and housing developments have been made.

5. Guggenheim Museum Bilbao in Abandoibarra

5.1 The Guggenheim Museum Bilbao (GMB) has been the centerpiece of the Abandoibarra Project and regarded by the Basque authorities as a new cultural image for Bilbao. Designed by American architect Frank Gehry, GMB was started to be built in 1994, and opened in October 1997. GMB occupies 46 000 sq m in the former docklands in the heart of Bilbao, with an exhibition space of 11 000 sq m involving 19 galleries. The construction cost of GMB was about US\$100 million (HK\$780 million), 30 percent of which was paid for by 150 private companies.⁷

6. Development of the Guggenheim Museum Bilbao

Background

6.1 The plan for GMB began in February 1991, when high-ranking officials from the Basque authorities approached the Solomon R. Guggenheim Foundation (SRGF) in New York with a proposal for the revitalization of Bilbao. Meanwhile, SRGF was also negotiating with the authorities of a number of cities, including Tokyo in Japan and Spanish cities such as Madrid and Barcelona, over the feasibility of creating an outlet for the Guggenheim's collections and exhibition. Eight months later, the Basque authorities signed a pre-agreement with SRGF on the creation of GMB. In less than three months, the museum project was confirmed.

Agreement

6.2 The Basque authorities agreed to be responsible for financing the construction and operation of GMB. In return, SRGF would be responsible for operating GMB, directing the GMB architect in the design phase, and approving site plans, sections and elevations, floor plans, support facilities and the choice of materials, fixtures and furnishing. In the management contract signed in 1994, the Basque authorities precluded SRGF's opening of any other museum in Europe without their consent, except for an Austrian proposal which predated GMB. GMB was completed on time and on budget.

⁷ Lowry (2002).

Public controversy over the Guggenheim Museum Bilbao project

6.3 It was reported that the GMB project was criticized by the public and Parliament in Bilbao for the secrecy in which the deal was negotiated, as well as for the high cost and its reliance on American know-how.⁸ A feasibility study on GMB conducted in 1992 projected an annual income of US\$14 million (HK\$109 million), about half from private sponsorship and half from annual attendance of about 600 000 visitors. However, some academics questioned that the feasibility study had overestimated attendance and revenue, and had failed to adequately assess several unfavourable factors, such as Bilbao's lack of tourist appeal, the Basque Country's tiny art audience and underdeveloped cultural infrastructure, and Spain's poor record of private cultural sponsorship.⁹ The idea to build an icon structure amid the severe economic recession also aroused discontent from the industrial sectors, which felt that it would be better to build new factories instead of pursuing the marketing of the city's cultural image.

6.4 Nevertheless, it was reported that after the opening of GMB, which was hailed as an avant-garde masterpiece, the Basques were increasingly supportive of the project.¹⁰

7. Management, operation and financing of the Guggenheim Museum Bilbao

Management

7.1 During the construction period from 1992 to 1996, a consortium was established by the Basque Government and the Provincial Council of Bizkaia to supervise the planning and construction processes of GMB. Since 1996, GMB has been managed by a foundation in which the Basque authorities have the majority voting right. The foundation is responsible for approving annual exhibition programmes and budgets, and overseeing executive staff appointments.

⁸ Bradley (1997) and Kaufman (1997).

⁹ Ibid.

¹⁰ Bradley (1997), Kaufman (1997), and Guggenheim Museum Bilbao celebrates one-year anniversary with unprecedented success, *Press Release*, 2 November 1998. Available from: www.guggenheim.org/press_release/release_80html [Accessed March 2005].

Operation

- 7.2 GMB has been operated by SRGF which is mainly responsible for:¹¹
- (a) providing a rotating selection from its permanent collection;
 - (b) directing and managing the acquisitions programme;
 - (c) providing collection management services;
 - (d) developing educational programmes in museum management, curatorial research and programming; and
 - (e) advising the hiring of personnel.

Financing

7.3 Under the binding 20-year contract (extendable to 75 years), GMB is financed and owned by the Basque authorities. It was reported that the total investment costs included building construction (US\$100 million or HK\$780 million), operational expenses such as physical plant maintenance, utilities, overhead and salaries, and curatorial and administrative services provided by SRGF.¹² In addition, the Basque authorities have pledged US\$50 million (HK\$390 million) for the new Spanish and Basque collection, with an additional US\$20 million (HK\$156 million) paid to SRGF for the use of the brand name for a 20-year period.¹³ The expenses incurred have been borne fifty-fifty by the governments of the Basque Country and the Bizkaia Province through tax increases, without recourse to the central Spanish Government funds.

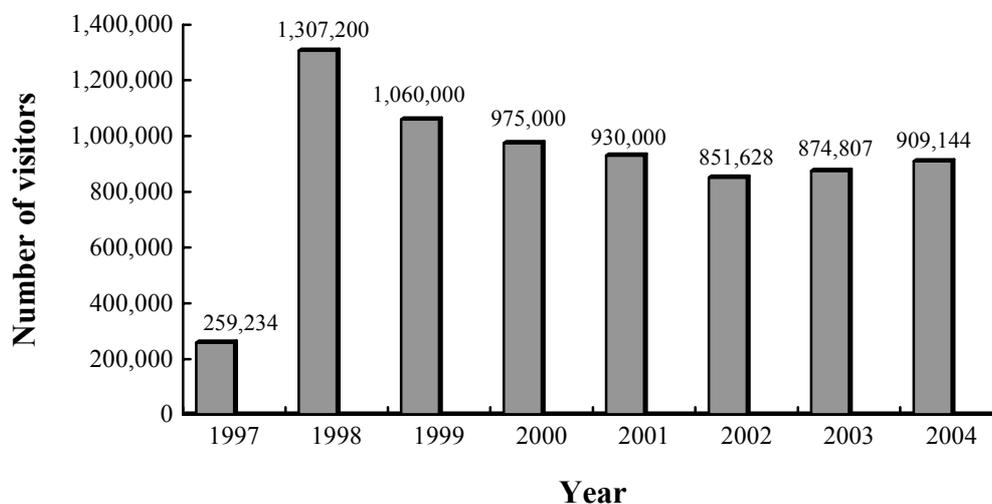
8. Performance of the Guggenheim Museum Bilbao

8.1 According to GMB, the economic impact of GMB on the Basque Country has been positive. After seven years of operation, the level of self-financing for GMB has remained at about 70%, which is one of the highest among European cultural institutions. As shown in Chart 1, GMB attracted a total of 7.2 million visitors in the past seven years. While the number of visitors to GMB declined steadily from 1998 to 2002, it had a mild rebound in the past two years.

¹¹ Bradley (1997) and Kaufman (1997).

¹² Ibid.

¹³ Ibid.

Chart 1 - Number of visitors to the Guggenheim Museum Bilbao 1997-2004

Source: Information provided by GMB.

8.2 Statistics provided by GMB indicate that in the past seven years, the expenditure by visitors to GMB contributed a total of €1.17 billion euros (HK\$11.9 billion) to the Gross Domestic Product of the Basque Country. During the same period, GMB generated an additional income of €200 million euros (HK\$2 billion) for the Basque treasury. It was reported that the initial direct investment in GMB by the Basque authorities has almost repaid itself.¹⁴

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¹⁴ Bradley (1997) and Kaufman (1997).

Appendix

Comparison between the West Kowloon Cultural District Project and the Abandoibarra Project

	The West Kowloon Cultural District Project¹⁵	The Abandoibarra Project
Location	<ul style="list-style-type: none"> • A waterfront site on the West Kowloon Reclamation. 	<ul style="list-style-type: none"> • A waterfront site located in the heart of the metropolitan area of Bilbao.
Site Area	<ul style="list-style-type: none"> • 40 hectares. 	<ul style="list-style-type: none"> • 38.5 hectares.
Objective	<ul style="list-style-type: none"> • Enhancing Hong Kong's position as a world city of culture. 	<ul style="list-style-type: none"> • Regenerating Bilbao.
Selection of concept plan	<ul style="list-style-type: none"> • Selecting a conceptual plan through an international concept competition. 	<ul style="list-style-type: none"> • Selecting a conceptual plan through an international concept competition.
Core facilities	<ul style="list-style-type: none"> • Three theatres; • A performance venue; • A cluster of four museums; • An art exhibition centre; • A water amphitheatre; • At least four piazza areas; and • A canopy covering at least 55% of the development area. 	<ul style="list-style-type: none"> • Two museums; • A conference and concert hall; • University facilities; • Shopping and leisure areas; and • Office buildings, and luxury housing units.
Responsible organization	<ul style="list-style-type: none"> • A single private developer. 	<ul style="list-style-type: none"> • A private firm held by public authorities.
Development theme	<ul style="list-style-type: none"> • Using culture as development theme, and integrating commercial and residential development into the arts, cultural and leisure facilities. 	<ul style="list-style-type: none"> • Using culture as development theme, and integrating commercial and residential development into the arts, cultural and leisure facilities.
Development approach	<ul style="list-style-type: none"> • A single-package development approach is adopted. The selected developer designs, finances and completes the development, and operates, maintains and manages the core arts and cultural facilities. 	<ul style="list-style-type: none"> • A multi-package development approach is adopted. The land is divided into smaller land parcels for leasing to different developers for development.
Financing	<ul style="list-style-type: none"> • The arts and cultural facilities are financed by proceeds from sales of residential and commercial property on the site. 	<ul style="list-style-type: none"> • The arts and cultural facilities are financed by proceeds from sales of lands on the site.
Mode of land disposal	<ul style="list-style-type: none"> • Land grant. 	<ul style="list-style-type: none"> • Land sale.

¹⁵ Information is based on Invitation for Proposals, Development of West Kowloon Cultural District, Hong Kong.

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