

For discussion on  
11 June 2018

**Legislative Council**  
**Panel on Development and Panel on Home Affairs**  
**Joint Subcommittee to Monitor the Implementation of the**  
**West Kowloon Cultural District Project**

**The Art, Commerce and Exhibitions Development Package**  
**(formerly known as the Exhibition Hub Development Area) and**  
**Artist Hostel/Residence of the West Kowloon Cultural District**

**PURPOSE**

This paper reports on the progress of the Art, Commerce and Exhibitions (ACE) development package and the development of Artist Hostel/Residence within the West Kowloon Cultural District (WKCD).

**BACKGROUND**

2. Under the Enhanced Financial Arrangement (EFA) for the WKCD announced on 18 January 2017, the Government has granted the development rights of the hotel/office/residential (HOR) portion of WKCD (involving 366 620 square metres (sqm) gross floor area (GFA)) to the West Kowloon Cultural District Authority (WKCDA). Among this HOR GFA, 81 066 sqm GFA of hotel and office sites will be granted to WKCDA at nominal premium without the need for WKCDA to pay an upfront payment to the Government for joint development with the Exhibition Centre (EC). The area in question is now being taken forward as the ACE development package (formerly known as the Exhibition Hub Development Area). WKCDA is seeking private sector partners to deliver the ACE through a Build-Operate-Transfer (BOT) and income sharing arrangement.

3. On 9 February 2018, WKCDA briefed the Joint Subcommittee to Monitor the Implementation of the WKCD project on the development strategy of the ACE development package (LC Paper No. CB(1)559/17-18(01)). The key components of the development package, including the procurement model, implementation strategy, public and market engagement plans, and

tendering process were illustrated for Members' information.

4. WKCD has also been considering the case for providing an artist hostel/residence in WKCD through a public-private-partnership approach. WKCD has undertaken the preliminary business case review and consider that there is market interest for developing an artist hostel/residence through a BOT model.

5. A map showing the location of ACE and artist hostel/residence is attached at **Annex**.

### **PROGRESS OF THE ACE DEVELOPMENT PACKAGE**

6. WKCD has started planning the development of the HOR portion of WKCD. The priority is to take forward the ACE development package and the artist hostel/residence. ACE comprises an EC of 47 045 sqm GFA with hotel and rental offices (total GFA of 81 066 sqm) and embedded Retail, Dining and Entertainment (RDE) facilities (GFA of 6 894 sqm) in the adjacent U-shaped site.

7. The ACE will be located within a vibrant downtown art district, addressing a growing demand for space from art fairs, exhibitions and conventions organisers that are known to have difficulty securing space to allow them to enter into or expand in Hong Kong. Moreover, the design of this venue will have a flexible configuration to serve multi-purpose functions. The main hall will be designed for staging various types of performances with a seating capacity of around 10 000 persons in concert mode. This space will be column-free and meet specified acoustic standards.

8. Our review showed that hotel with ACE would help attract more functions and events, and the hotel with at least 300 rooms would provide convenient accommodation for visitors as well as providing facilities such as meeting rooms, banquet facilities, etc., thus opening up the ACE for a wide range of Meetings, Incentive Travels, Conventions and Exhibitions (MICE) opportunities. Furthermore, packaging hotels and rental offices in ACE will allow the private sector partners to capture positive externalities that could be generated by EC and enhance the site development mix.

9. The ACE development package will be developed under a BOT arrangement to capture market opportunities in design,

construction and management. WKCD has recently appointed an external law firm to draft the tender documents and development agreement for the ACE development package. The tender documents will set out the terms and conditions, including key commercial terms, performance indicators, tender assessment criteria, and BOT period.

10. WKCD will adopt open and competitive tendering in selecting private sector partners. Private sector partners will be invited to submit an expression of interest in this project by Q3 2018. This will allow WKCD to draw up a shortlist of potential tenderers who will compete for the right to construct and operate the facilities in ACE. A tender will be released to the shortlisted tenderers by end 2018/early 2019. Tenderers will compete on, among other technical requirements, the level of income generated from the operation of ACE to be shared with WKCD. WKCD will retain the right to cancel the tender if the income to be shared with WKCD offered by tenderers is unreasonably low (i.e. lower than the pre-tender estimate undertaken by an independent valuation).

11. It is estimated that the tender will be awarded in mid-2019 with the completion of the ACE by end 2023 or early 2024. WKCD will not sell any part of the premises in WKCD to any third party, in line with the terms of the EFA. This will allow WKCD to be developed in a holistic and integrated manner to complement the overall organic growth of WKCD and the phased commissioning of the arts and cultural facilities. Upon the expiry of the BOT period, the private sector partners will be required to hand back the premises to WKCD.

## **Market Engagement**

12. A series of market engagement events and sessions are currently underway that are targeted at potential market participants, including exhibition/convention centre and venue operators, developers/contractors, hotel owners and private equity investors, who would be interested in participating in the tender and in the delivery of the ACE development package. In parallel, a public engagement exercise is also being taken forward to allow the general public as well as interested parties to understand more about ACE (see paragraphs 21 and 22 below).

13. Generally, the potential private sector partners have expressed positive interest in ACE. Key points made by those consulted cover their views on the operational requirements, WKCDA's involvement and extent of control, prioritisation of arts and cultural events, transport arrangement and accessibility of the site. Some potential partners also raised the concerns on the BOT period and have sought clarification on technical issues such as the tendering process and assessment criteria. WKCDA will take into account all issues raised in formulating the tender documents.

### **PROGRESS OF ARTIST HOSTEL/RESIDENCE**

14. The Artist Hostel/Residence is proposed to have a GFA of about 12 600 sqm with embedded RDE facilities of about 3 500 sqm GFA, making up a total GFA of about 16 100 sqm. It is located next to the Lyric Theatre Complex in the Artist Square and is a planned Other Arts and Cultural Facilities at WKCD.

15. It will accommodate both artists and regular patrons, providing a unique opportunity for artists and art lovers to meet, interact and learn from each other. It will also serve as a showcase and incubator for artists, with workshops, creation and performing spaces for events and performances.

16. Artists will be invited to stay at a discounted rate within the artist hostel/residence for defined periods, and in return they will make their presence felt throughout the residence by their creations, performances, participation in art tours and workshops, as well as hosting salons. In some cases, artists may be sponsored to create site specific or other new works of art.

17. The Artist Hostel/Residence will be the first of its kind in Hong Kong. It will provide artists with suitable work spaces and accommodation at an affordable price and will become a platform for new creativity whilst being a space to work, collaborate and interact. It will bring artists, art lovers and local residents together to engage as a community, and provide necessary space to support both artists and practitioners from the creative industries.

18. WKCDA will adopt an open and competitive BOT tendering approach to selecting private sector partners to take this project forward. Under this BOT arrangement, private sector partners will bear the construction cost and will be responsible for the financing,

operation and maintenance of the facility. WKCDA will contribute to BOT in helping to select artists, subsidising the artists and acquiring their art works. Private sector partners will be invited to tender around end of 2018. It is estimated that the tender will be awarded in the first half of 2019 with the completion of the Artist Hostel/Residence in 2023. As with all facilities within the WKCD, upon the expiry of the BOT period, the private sector partners will be required to hand back the premises to WKCDA.

## **Market Engagement**

19. WKCDA has conducted a preliminary market engagement with multinational hospitality companies, private equities/real estate investment fund, and developers with hotel assets. Positive and supportive views of the concept of experiential Artist Hostel/Residence were received.

20. Some potential partners considered that it should be positioned as an affordable Artist Hostel/Residence with standard room size, and raised the questions on the mechanism to determine the eligibility of artists for discounted room rates and the planned discounted rates/terms to be made available to artists. WKCDA will take into account all the issues raised and conduct further in-depth marketing sounding and detailed financial analysis in formulating the BOT tender.

## **PUBLIC ENGAGEMENT**

21. WKCDA started a public engagement exercise in March 2018 to update the general public on the planning of ACE development package and Artist Hostel/Residence as well as solicit views on the proposed projects. Key engagement activities include a media briefing on both projects, a roving exhibition held at MTR Admiralty Station, Sunshine City Plaza and China Hong Kong City respectively, and three briefing sessions for the MICE sector, arts and culture sector, as well as Hong Kong Tourism Board.

22. WKCDA also briefed the Consultation Panel on these projects at the meeting held on 4 May 2018, the Travel Industry Council at its meeting on 8 May 2018, the Task Force on Harbourfront Developments in Kowloon, Tsuen Wan and Kwai Tsing of the Harbourfront Commission at their meeting on 16 May 2018,

and the Yau Tsim Mong District Council at its council meeting held on 24 May 2018.

### **ADVICE SOUGHT**

23. Members are invited to note the progress of the ACE development package and the development of Artist Hostel/Residence in WKCD.

**West Kowloon Cultural District Authority**  
**June 2018**



### ACE 和藝術家旅舍／公寓的位置 Location of ACE and Artist Hostel/Residence

