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**Joint Subcommittee to Monitor the Implementation of
the West Kowloon Cultural District Project**

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 29 November 2013**

**Hardware development of the first batch of facilities
in the West Kowloon Cultural District**

PURPOSE

This paper summarizes the major views and concerns of members of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project ("the Joint Subcommittee") on issues relating to the hardware development of the first batch of facilities in the West Kowloon Cultural District ("WKCD").

BACKGROUND

2. WKCD is planned to be developed by means of a Development Plan ("DP") prepared by the West Kowloon Cultural District Authority ("WKCDA") under section 21 of the West Kowloon Cultural District Authority Ordinance (Cap. 601). Following its submission of the WKCD DP to the Town Planning Board ("TPB") for consideration in December 2011, WKCDA embarked on the design process for several landmark facilities in WKCD for commencement of construction as soon as possible upon completion of the statutory planning process. The WKCD DP was approved by the Chief Executive in Council in January 2013. According to WKCDA, the WKCD project will be developed in two phases, with Phase 1 Performing Arts facilities scheduled for completion from 2015 to 2020 and Phase 2 facilities to be delivered beyond 2020. The proposed timetable for completion of WKCD facilities is in **Appendix I**.

3. At its meeting on 3 July 2013, the Joint Subcommittee was advised that in view of the challenge presented by project cost escalation, the Administration and WKCD would adopt a pragmatic approach to implement the WKCD project according to the following principles –

- (a) rigorous cost containment of individual facilities to a level as close to the recommendations of the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District ("CC Case") as possible;
- (b) emphasis on content rather than form of these facilities; and
- (c) early delivery of the Park as well as some arts and cultural facilities for public enjoyment.

According to the Administration and WKCD, in the light of the latest approach to develop WKCD, facilities will be delivered in three batches with completion starting from 2015. The first batch of facilities expected to be delivered are Xiqu Centre, M+, eastern portion of the Park facing the waterfront (including the Arts Pavilion), Freespace (a blackbox and an outdoor stage in the form of an acoustic shell) and one modular performance venue, and \$9 billion have been reserved for the design and construction of these five facilities. The second batch of facilities will be those located above the respective west and east ends of the integrated basement which have the opportunity to be constructed ahead of the remaining part of the integrated basement, including Lyric Theatre, Medium Theatre I, Centre for Contemporary Performance and some resident company facilities. The third batch will be the remaining venues which can only be built after the completion of the integrated basement, estimated to be around 2020.

MEMBERS' CONCERNS

4. Issues relating to the hardware development of the first batch of WKCD facilities were discussed at a number of meetings of the Joint Subcommittee between February and July 2013. Members' views and concerns are highlighted in the ensuing paragraphs.

Xiqu Centre

Increase in estimated project cost

5. When the Joint Subcommittee was briefed on the process and result of the Xiqu Centre Design Competition at the meeting on 25 February 2013, members noted with grave concern that the estimated cost for Xiqu Centre (Phase 1) and related facilities based on the chosen design stood at \$2.7 billion in money-of-the-day ("MOD") prices, which was more than double the cost estimate for the relevant parts of Xiqu Centre in 2006. They requested the Administration and WKCDA to provide detailed explanations for the substantial increase in the estimated project cost.

6. As explained by the Administration and WKCDA, the original project estimate for Xiqu Centre was \$1.3 billion (MOD prices) according to the CC Case, comprising both Phase 1 and Phase 2 of Xiqu Centre but without any design details for the project. The present estimate of \$2.7 billion (MOD prices) was based on the current scope of Xiqu Centre (Phase 1), which included additional accommodation in response to public views that was not covered in the original scope in 2006, such as arts education facilities and increased open space. In addition, retail, dining and entertainment ("RDE") facilities and open space which had been included in the overall WKCD project in the CC case but outside the scope of the original budget of \$1.3 billion for Xiqu Centre were also included in the current design and corresponding \$2.7 billion budget. The current estimate of \$2.7 billion was, therefore, not directly comparable to the original estimate of \$1.3 billion. In the view of the Administration and WKCDA, construction cost escalation was the major factor leading to the substantial increase in the project estimate, as evidenced by the upsurge of the Government's Building Works Tender Price Index from 751 in the third quarter of 2006 to 1467 in the third quarter of 2012 (increase by 95.3%). In response to members' request for a breakdown of the latest cost estimate of \$2.7 billion for Xiqu Centre (Phase 1), the Administration and WKCDA advised the Joint Subcommittee that it was made up of two parts, viz. (i) total construction cost (\$2,269 million) and (ii) fee, management, and other project wide expenses (\$454 million).

Cost containment measures

7. Members considered it important that WKCDA should adopt a prudent financial approach in implementing the WKCD project and strive to contain the costs of developing the various facilities through, among others, ensuring and

enhancing cost-effectiveness in the design process. Members also urged the Administration to enhance its role in monitoring the expenditure of the WKCD project.

8. The Administration responded that it was fully aware of its monitoring role and would request WKCDA to make every effort to adhere to the target budget of \$2.7 billion for Xiqu Centre (Phase 1) and, where practicable, seek to further reduce the project cost. The Chief Secretary for Administration being the Board Chairman of WKCDA would also continue to monitor the operation of WKCDA. At its meeting on 3 July 2013 when the Joint Subcommittee was briefed on the financial situation of and arrangements for the WKCD project, members were advised that following a series of value engineering exercises conducted by WKCDA, the total estimated project cost for Xiqu Centre as at mid-2013 was around \$2.5 – 2.6 billion (MOD prices) inclusive of fees for the design team. This had included savings in structure, theatre equipment and façade, optimization of the use of floor spaces, reduction in the floor area of the RDE facilities and optimization of the basement car parking arrangement. WKCDA assured members that it would continue the value engineering exercises to further reduce the project cost as far as practicable without compromising the overall functions and quality of the facility.

9. Concern was expressed that while WKCDA had been making every effort to contain costs and identify savings from, among others, reduction of RDE area at Xiqu Centre, it would have the effect of reducing the rental proceeds thus generated, which was a major source of recurrent income for WKCDA to meet the operating costs of the facility. Members were worried that this might, in turn, adversely affect the financial sustainability of the operation of WKCD.

10. The Administration and WKCDA clarified that although a reduction of the RDE area at Xiqu Centre was proposed having regard to the availability of many RDE facilities in its nearby areas, there would be no change to the overall provision of a gross floor area ("GFA") of 119 000 square metres for the RDE facilities in WKCD. Such provision was set out in the funding submission for the one-off \$21.6 billion endowment fund for WKCDA approved by the Finance Committee of the Legislative Council ("LegCo") in 2008, and would serve to generate rental income for WKCDA to subsidize the operating deficits of the arts and cultural/communal facilities.

M+

Project costs

11. Members considered that WKCD should endeavour to contain the construction costs of M+, while at the same time ensuring that the M+ Design Competition would allow sufficient room for creativity. Concern was also expressed about whether WKCD had reviewed the weightings of the adjudication criteria for the M+ Design Competition in the light of members' views expressed during the discussion on the Xiqu Centre Design Competition that the weighting of the criterion on "cost aspect/value for money" should be increased when launching design competitions for other facilities in WKCD to ensure that due regard was given to the cost aspect.

12. WKCD explained that as the adjudication criteria for the M+ Design Competition had been approved by the Board of WKCD before the competition was launched in September 2012, the management of WKCD was not in a position to change the criteria and the weightings assigned part-way through the competition. Nonetheless, WKCD would attach importance to cost control and endeavour to ensure value for money in implementing the M+ project. At the meeting of the Joint Subcommittee on 3 July 2013, members noted that Herzog & de Meuron + TFP Farrells ("HdM") had been selected as the winning design team, the conceptual design of which came with the lowest estimated construction cost at \$5,413 million (MOD prices). Members were also advised that WKCD had already started rigorous negotiations with HdM to further contain the cost to be incurred by WKCD to within a target budget of \$5 billion (MOD prices) inclusive of fees.

Design of M+

13. In response to a member's view that the winning design of M+ was too simple and lacked character, WKCD pointed out that HdM was a partnership of two leading architectural practices in the world and in Hong Kong. The winning design was selected unanimously by the Jury Panel of the M+ Design Competition as the best design reflecting the core values of M+. The Jury Panel considered that it had the merits of a memorable design that drew its raw power from simplicity and clarity of its "parti", and was the most cost effective amongst all the submitted designs for the competition.

14. Some members were of the view that WKCD should commence collection acquisition only after the design of M+ had been finalized, so that due regard could be given to the exhibition and storage space available in the museum building. WKCD responded that M+ would be built from inside out, meaning that its physical design would be shaped around its visions, ideas

and contents that were being formulated now and over the coming years. As it took time to build up the collection of M+ and in order to seize acquisition opportunities as early as possible, the Board of WKCDA established the Interim Acquisition Committee ("IAC") in June 2012 to consider and approve acquisitions of M+. As at the first quarter of 2013, IAC approved a total of 867 works (excluding the M+ Sigg Collection) of visual culture for acquisition so far. Before the scheduled completion of the museum building in 2017, the Arts Pavilion in the Park in WKCD, upon its commissioning in 2015, would be the base for M+.

The Park

Planting strategy

15. When the Joint Subcommittee was briefed on the latest progress of the development of the Park in WKCD at its meeting on 23 April 2013, members generally expressed the view that the green coverage in WKCD should be enhanced and extensive tree planting should be provided within the Park and along the waterfront promenade, so as to provide for a pleasant pedestrian environment in WKCD. Some members were concerned that certain species of trees might not be suitable for planting in the Park on the reclaimed WKCD site. A suggestion was made that WKCDA should consider consulting relevant experts and departments such as the Leisure and Cultural Services Department ("LCSD") before choosing the appropriate species of plants for planting in the Park.

16. WKCDA advised members that the planting strategy for the Park was prepared with the advice of specialist landscape architectural sub-consultants and would be formulated with due regard to the fact that WKCD was a reclaimed site. A tree nursery which was temporary in nature and would provide trees for the development of the Park was being built at the western part of WKCD, covering an area of about 1.8 hectares. The tree nursery would serve as, among others, a research and development facility which would help identify and address the challenges posed by the reclaimed land on the future soft landscaping works in the Park. The types of plants to be selected would reflect the public aspiration consolidated in the public engagement exercises to build a park matching the arts and cultural ambience of WKCD. WKCDA would consider further consulting relevant experts and departments such as LCSD as appropriate when the Park came into detailed design stage.

17. In response to members' enquiry about whether cycling facilities would be provided in WKCD, WKCDA advised that an automated bicycle rental system would soon be launched within the headland area including the waterfront promenade in WKCD as a pilot scheme.

Management of the Park

18. The management of the Park was another concern of the Joint Subcommittee. Some members were of the view that while WKCDA had a responsibility to ensure the safety of the public using the Park, it should adopt a more relaxed and flexible approach in managing the Park, and the bylaws to be drawn up for the management of the Park should not prohibit the staging of street performances in WKCD or inhibit the public from enjoying the Park freely. They considered it more desirable for the bylaws to be enforced by the staff of or agents engaged by WKCDA, as they should be more familiar with WKCDA's organizational culture and its approach in managing the Park.

19. WKCDA stressed that it attached great importance to the subject of how the Park should be managed and would strive to put in place appropriate arrangements to ensure the comfort and safety of the park users. At the meeting of the Joint Subcommittee on 23 April 2013, WKCDA advised members that it was in the course of preparing the bylaws for the management of the Park with reference to overseas experience and would consult the Joint Subcommittee on the proposed bylaws once ready. To tie in with the target completion of the Park in around 2015, WKCDA aimed to submit the proposed bylaws to LegCo in the 2013-2014 legislative session. In the interim, WKCDA was managing the waterfront promenade within the Park, which was open to the public subject to works or events, with a set of temporary house rules.

Alternative development approach

20. The Joint Subcommittee was advised at its meeting on 3 July 2013 that WKCDA was exploring creative ways to deliver the Park and related facilities in a cost effective manner and as soon as practicable. Members were concerned about WKCDA's plan to turn the fully landscaped Park as envisaged in Foster + Partners' ("F+P") "City Park" conceptual plan into quality open space with a simple design. They urged WKCDA to provide more details on the proposed alternative approach to develop the Park to facilitate members' discussion.

21. The Administration and WKCDA explained that under the proposed alternative development approach, the facilities to be accommodated in the Park would remain largely the same as those proposed in the original scope of

the Park development on the basis of F+P's conceptual plan, except that simpler designs for the Park and the facilities therein would be adopted. WKCDA would expedite the development of the Park under the revised approach based on a reduced budget of \$1.0 billion (MOD prices)^{Note 1} including fees, etc. and procure a design consultancy if necessary. Public views on how the Park should be developed as a quality open space would be sought through the Consultation Panel of WKCDA. WKCDA would revert to the Joint Subcommittee on its detailed plan for the Park development when ready.

Plot ratio of the WKCD site

22. At its meeting on 3 July 2013, the Joint Subcommittee noted WKCDA's proposal to apply for minor relaxation of GFA and/or building height restrictions on the WKCD site in order to optimize the development potential of the site. Some members were of the view that given the changing social, political and economic conditions in Hong Kong, consideration might be given to increasing the plot ratio of the WKCD site to meet the current needs of the society, to provide a revenue source for meeting the rising capital costs of the WKCD project, and to facilitate better utilization of the WKCD site. Some members, on the other hand, queried the proposal, on the grounds that that the development density and approach for WKCD was the outcome of consultations over a long period of time, and the Secretary for Home Affairs ("SHA") had previously advised LegCo that any substantial amendment to DP would result in delay of the implementation timetable of the WKCD project. The Administration and WKCDA was urged to provide more concrete details of the proposal.

23. The Administration and WKCDA explained that SHA's earlier advice was given in response to a proposal for a major increase of the plot ratio of the WKCD site under section 12A of the Town Planning Ordinance (Cap. 131) ("TPO"), which was a significant deviation from the approved WKCD DP and would require a much longer time for completing the statutory planning procedures including gazettal of the amended DP for the public to make representations and comments. The current proposal of WKCDA, however, was to apply for minor relaxation of GFA and/or building height restrictions on the WKCD site under section 16 of TPO. Such an application was provided for under the approved DP and was subject to the approval of TPB in accordance with the established procedures under TPO.

24. Some members cautioned that any proposal for increasing the plot ratio of the WKCD site should be considered strictly on a need basis, and due regard

^{Note 1} According to the Administration and WKCDA, in November 2012, the ballpark project cost for developing the Park (Phase 1) was \$1,865 million (MOD) including fees, etc..

should be given to the impact on the landscape and visual aspects of the surrounding areas. The Administration and WKCD assured members that they would seek to ensure that the WKCD project would not be adversely affected before proceeding with the proposal to apply for minor relaxation of the GFA and/or building height restrictions on the WKCD site. If the proposal was to proceed, relevant assessments including traffic impact assessment and environmental review would be conducted to ascertain that the proposal would not generate unacceptable impacts to the surrounding areas.

25. In response to a member's enquiry about whether the additional GFA that would be generated from the proposed minor relaxation of the GFA and/or building height restrictions on the WKCD site would be vested in WKCD, the Administration and WKCD advised the Joint Subcommittee that it was only a preliminary proposal, and the Government and WKCD had yet to discuss how the additional GFA thus generated (i.e. 10-15% of the total GFA of the WKCD site, which was between 70 000m² and 100 000m²) would be used. There was a suggestion that part of the additional GFA be vested in WKCD for provision of more RDE facilities which would increase its recurrent revenue. Other possible uses of the additional GFA, such as providing additional facilities demanded by the arts sector (e.g. affordable serviced apartments for visiting artists), would also be considered.

LATEST DEVELOPMENT

26. The Administration and WKCD will update the Joint Subcommittee on the progress of the WKCD development, including an overview of the hardware development of the first batch of facilities, at its meeting on 29 November 2013.

RELEVANT PAPERS

27. A list of the relevant papers with their hyperlinks at the LegCo's website is in **Appendix II**.

Proposed Timetable for WKCD Facilities Completion

Phase	Target Completion Year	Key Facilities and Venues
Phase 1	2014-2015	Arts Pavilion
		Great Park (Early portion of the Park)
	2015-2017	Xiqu Centre (Main Theatre, Tea House and Arts Education Facility)
		Free Space (with Music Box) and Outdoor Theatre
		Centre for Contemporary Performance (3 Blackboxes and Arts Education Facility)
	2017-2020	M+ (Phase I)
		Lyric Theatre
		Medium Theatre I
		Music Centre (Concert Hall, Recital Hall and Arts Education Facility)
		Mega Performance Venue **
Exhibition Centre **		
Phase 2	Beyond 2020	Musical Theatre **
		M+ (Phase II)
		Great Theatre
		Medium Theatre II
		Xiqu Small Theatre

** Subject to alternative funding options.

Source : Information extracted from the Administration's paper entitled "Proposed Development Plan for the West Kowloon Cultural District and Related Matters" (LC Paper No. CB(2)385/11-12(05))

Appendix II

Relevant papers on Hardware development of the first batch of facilities in the West Kowloon Cultural District

Committee	Date of meeting	Paper
Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project	25.2.2013 Item III	Agenda Minutes
	8.4.2013 Item II	Agenda Minutes
	23.4.2013 Item II	Agenda Minutes
	3.7.2013 Item II	Agenda Minutes

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