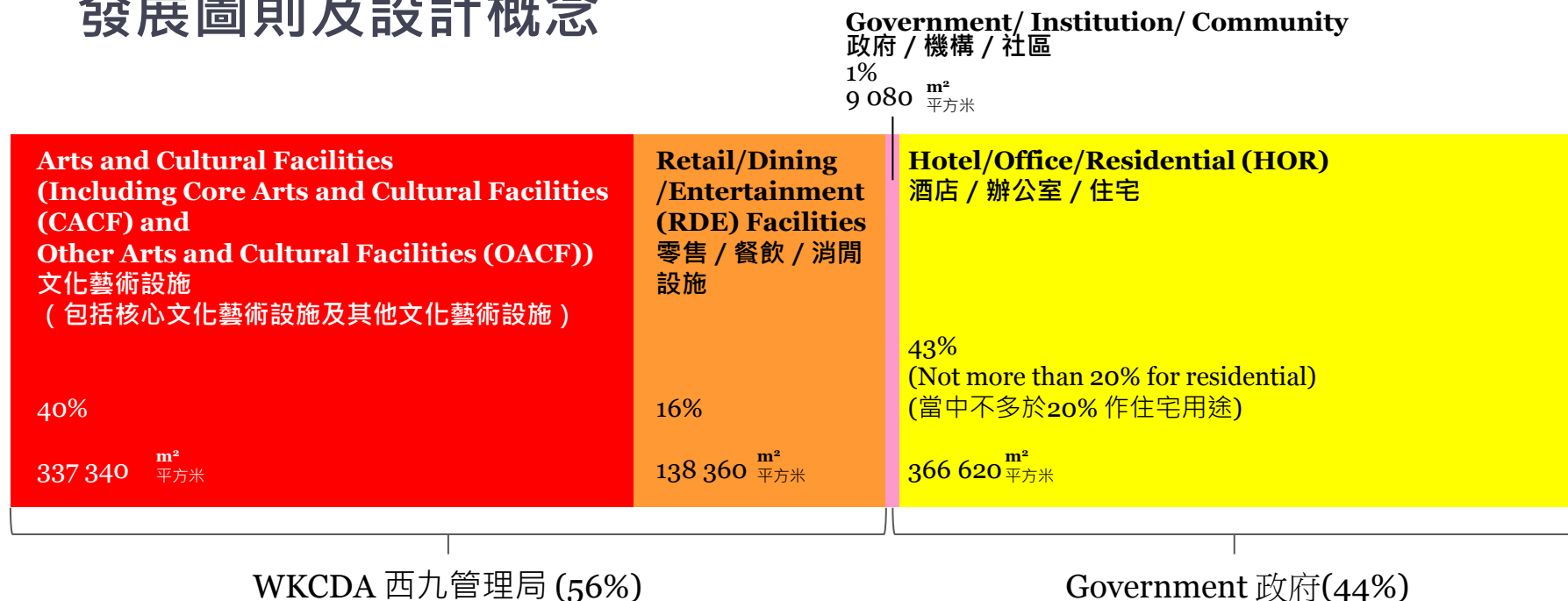


Enhanced Financial Arrangement for the West Kowloon Cultural District 西九文化區的加強財務安排

21 February 2017
2017年2月21日

(1) Development Plan and Design Concept

發展圖則及設計概念



Site area : ~40 ha Total gross floor area (GFA) * : 851 400m²

土地面積 : ~40公頃 整體總樓面面積* : 851 400平方米

Provision of 23 ha of public open space (Mainly in Art Park, waterfront promenade and above ground level)

須提供23公頃的公眾休憩用地 (主要包括藝術公園、海濱長廊及地面以上樓層)

* This reflects the GFA after the section 16 planning application for 15% increase in total GFA for the whole site was approved by Town Planning Board on 14 November 2014.

此總樓面面積反映把整幅用地的整體總樓面面積增加15%的第16條規劃申請於2014年11月14日獲城市規劃委員會通過後的樓面面積。

(1) Development Plan and Design Concept (Cont'd)

發展圖則及設計概念 (續)

Emphasis on Integration: Horizontal and Vertical
著重融合：橫向及縱向



(1) Development Plan and Design Concept (Cont'd)

發展圖則及設計概念 (續)



(2) Existing Financial Arrangement 現有財務安排

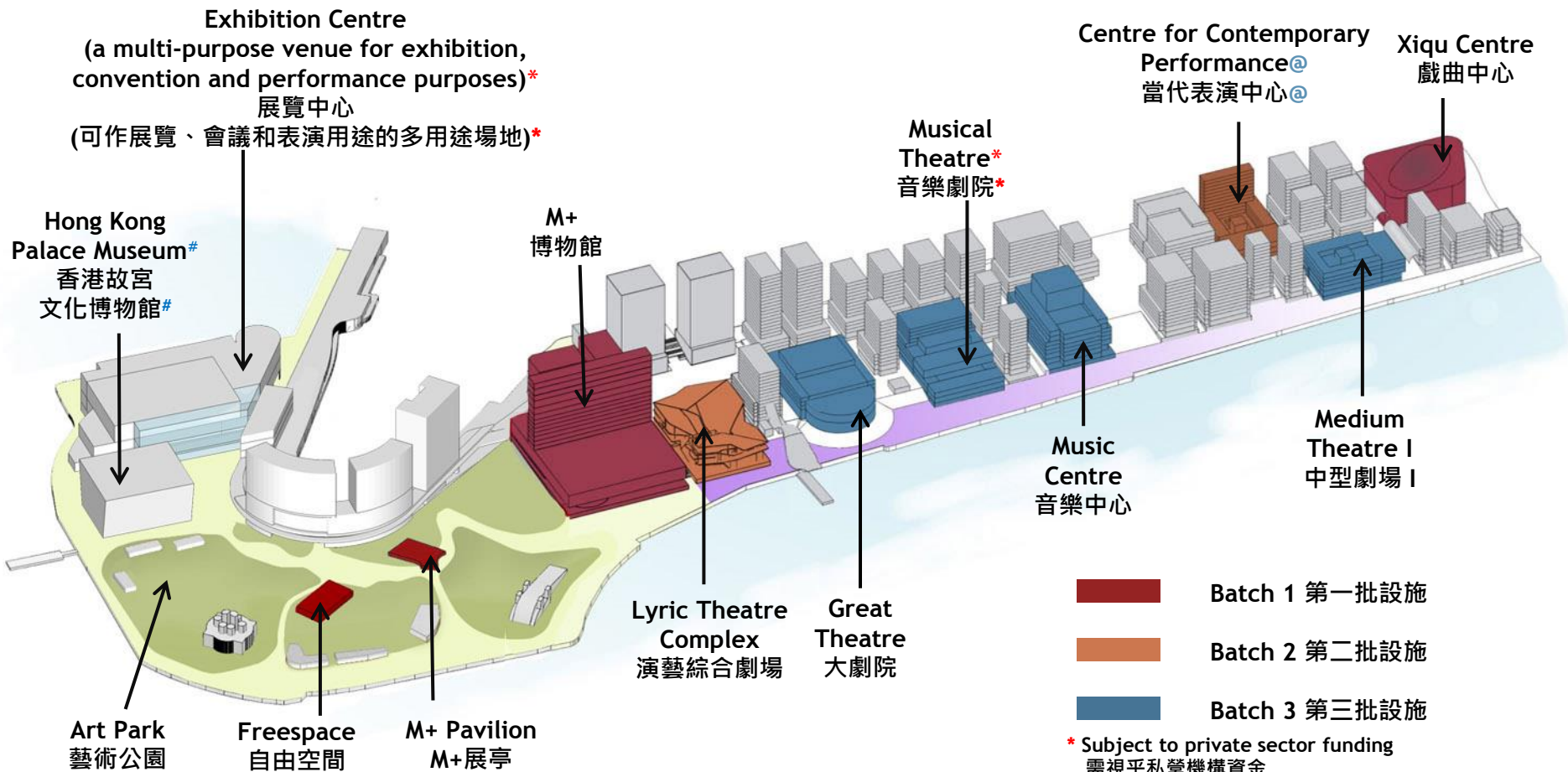
- **A one-off endowment fund of \$21.6 billion** from Government approved by Legislative Council (LegCo) in 2008 for WKCDA to meet the costs of delivering the West Kowloon Cultural District (WKCD) project as assessed with the help of a financial consultancy.
立法會於2008年批出一筆過撥款216億元予西九管理局，以支付根據財務顧問就推展西九文化區項目所估計的成本。
- **RDE facilities to be vested in WKCDA** to generate recurrent revenue to meet operating deficit.
西九文化區的零售 / 餐飲 / 消閒設施撥歸管理局，為管理局提供經常收入，以應付營運赤字。
- **Government to fund** and undertake communal and government facilities and related engineering works (i.e. **public infrastructure works (PIW)**).
政府出資及興建共用和政府設施，以及相關工程（即**公共基礎建設工程**）。

(2) Existing Financial Arrangement (Cont'd)

現有財務安排 (續)

- In mid-2013, Government further undertook to fund the construction of the **integrated basement (IB) in full** to help relieve WKCDA's funding pressure.
在2013年年中，政府進一步承諾支付**綜合地庫的全部建造費用**，以協助減輕管理局的財政壓力。
- WKCDA announced **the pragmatic approach** for delivering WKCD facilities by batches, the implementation timetable of Batch 3 facilities would be subject to review, and the development of the Mega Performance Venue/Exhibition Centre (MPV/EC) and Musical Theatre through private sector funding would be explored.
管理局宣布，會採用**務實方式**分批發展設施，檢討第三批設施的推展時間表，以及探討由私營機構資金發展大型表演場地和展覽中心以及音樂劇院。

(3) Arts and Cultural Facilities 文化藝術設施



* Subject to private sector funding
需視乎私營機構資金

@ Future development to be reviewed due to partial incorporation into Lyric Theatre Complex
由於部分設施已納入演藝綜合劇場，未來發展需再研究

Development to be funded by donation;
public consultation underway
由捐款資助發展；相關公眾諮詢進行中

(4) WKCDA's Financial Difficulties 管理局的財政困難

- Since 2013, the financial difficulties faced by WKCDA have been highlighted by the former WKCDA Board Chairman at her annual briefings for the LegCo Joint Subcommittee to Monitor the Implementation of the WKCD Project (Joint Subcommittee) on the financial situation of the WKCD project.
由2013年起，管理局董事局前主席在每年向立法會監察西九文化區計劃推行情況聯合小組委員會(聯合小組委員會)匯報西九文化區項目的財務狀況時，已指出管理局面對財政困難。
- At the Joint Subcommittee meetings on 7 July 2015 and 30 May 2016, Members were informed that **if WKCDA were given the development right** in respect of some or all of the commercial developments, there would be potential for WKCDA to develop the planned facilities, fund the operation of CACF and support the wider development of arts and culture in Hong Kong.
於2015年7月7日及2016年5月30日的聯合小組委員會會議上，委員獲悉**若管理局獲授部分或全部商業發展項目的發展權**，管理局會有機會落實已規劃的設施、為營運核心文化藝術設施提供經費，以及支援香港文化藝術更廣泛的發展。
- Members of the Joint Subcommittee urged the Government to come up with ways to help WKCDA address its financial difficulties; while some further suggested that the HOR development right should be granted **without payment of land premium** so that WKCDA could have a certain source of funding to deliver the WKCD in full.
聯合小組委員會委員促請政府尋求方案協助管理局解決財政困難。部分委員提議政府**毋須收取地價**，讓管理局能獲得更加確定的資金全面發展西九文化區。

(4) WKCDA's Financial Difficulties (Cont'd)

管理局的財政困難 (續)

Capital Cost 資本成本

- WKCDA's financial difficulties in terms of capital cost is the result of a combination of developments and changes since the approval of the upfront endowment in 2008 -
管理局在資本成本方面所面對的財政困難，主要是2008年通過一筆過撥款後出現以下各種發展和轉變所致 -
 - (a) Significant escalation of construction costs in Hong Kong
本港整體的建築成本顯著上升
 - (b) A significant decline in investment return due to volatility in global investment markets
環球投資市場市況持續波動，投資回報率顯著下跌
 - (c) Public engagement and planning process lasted almost four years
公眾參與及規劃過程歷時接近四年
 - (d) Complexity in implementing the "City Park" design concept
– horizontal and vertical integration + integrated basement
落實「城市中的公園」設計概念複雜 – 橫向及縱向融合+綜合地庫
- Need an extra of **about \$11.7 billion (in 2016 prices)** to complete the remaining facilities (other than Musical Theatre and Exhibition Centre to be funded by private sector investment)
需要額外約**117億元** (以**2016年價格計算**) 完成餘下設施 (由私營機構投資的音樂劇院和展覽中心除外)

(4) WKCDA's Financial Difficulties (Cont'd)

管理局的財政困難 (續)

Recurrent Cost 經常開支

- WKCDA will incur **operating deficits** starting from **2017-18**
管理局預計由2017-18年度開始出現營運赤字
 - The total operating deficit to be incurred in the next three years (2017-18 to 2019-20) will be about \$1 billion.
未來三年，預計總營運赤字合共約10億元。
 - By 2022-23, the operating deficit is estimated to be about \$550 million.
在2022-23年度，營運赤字將約為5.5億元。
- The main reasons are –
主要原因包括 –
 - (a) Serious delay in the receipt of RDE income
 - Over 65% of the RDE facilities will only be completed after 2022
零售 / 餐飲 / 消閒設施收入嚴重延遲
 - 65%以上的零售 / 餐飲 / 消閒設施於2022年後才會落成
 - (b) Increase in operating budget particular in areas not envisaged in 2008
增加營運預算，尤其是在2008年並未有預計的範疇

(5) Enhanced Financial Arrangement 加強財務安排

Considerations 考慮因素

- (a) To provide **sufficient but not excessive resources** to WKCDA to meet its financial difficulties
為管理局提供**足夠但不過量的資源**以應付其財政困難
- (b) To adopt **open and competitive tendering** in selecting private sector partners for the HOR development, who would shoulder **development risks** (including construction, financing and marketing) in accordance with commercial considerations such that **WKCDA needs not play a developer role and can focus on the overall coordination of design and programme of WKCD**
採用**公開及具競爭性的招標方式**，甄選承辦發展酒店 / 辦公室 / 住宅項目的私營合作伙伴；以及由合作伙伴按商業考慮承擔**發展風險**（包括建築、財務和市場推廣），使管理局毋須擔當發展商角色，從而專注於西九文化區的**整體設計統籌及推展時間表**

(5) Enhanced Financial Arrangement (Cont'd)

加強財務安排（續）

Considerations (Cont'd) 考慮因素（續）

- (c) To **retain ownership** of the HOR developments in the hands of WKCDA to produce stable recurrent rental income during and after the build-operate-transfer (BOT) period, and ensure design and management of the entire district in a **holistic and integrated manner**
由**管理局保留**酒店 / 辦公室 / 住宅發展的**業權**，為管理局在「建造、營運及移交」期間及屆滿後提供穩定的經常租金收入，並確保整個文化區有**整體和全面**的設計和管理
- (d) To devise **mechanisms** that enable the Government to receive **upfront payments** from the development packages where possible and to **share income** with WKCDA upon expiry of BOT period so as to protect Government's interests
訂立**機制**讓政府在可能的情況下從發展組合收取**前期款項**，及在「建造、營運及移交」協議期完結後與管理局**攤分收入**，以保障政府的利益

(5) Enhanced Financial Arrangement (Cont'd)

加強財務安排（續）

Key Components 主要組成部分

- A. Grant of development right of the HOR portion of WKCD to WKCDA with upfront payment to Government (to be determined through open tendering)**
將西九文化區酒店 / 辦公室 / 住宅部分的發展權批予管理局，但須向政府支付前期款項 (經公開招標決定)
- WKCDA will tender the HOR sites **in batches** and the successful bidders will develop the HOR portion through BOT arrangements. WKCDA will share the income generated to obtain recurrent income. **Upfront payment to the Government is required** and will be determined through open tendering.
管理局會分批招標，中標機構會透過「建造、營運和移交」安排發展酒店/辦公室/住宅部分。管理局會攤分收入以取得經常收入。須向政府支付前期款項，金額經公開招標決定。
 - WKCDA plans to develop a **major portion** of the HOR GFA into **rental offices** and a **small portion** of the GFA as **rental residential units** (which will be lower than the approved limit of 20%).
管理局初步計劃將酒店/辦公室/住宅用地大部分的總樓面面積發展為**出租辦公室**，小部分發展為**出租住宅單位**（住宅用途的總樓面面積將低於獲許可的20%上限）。

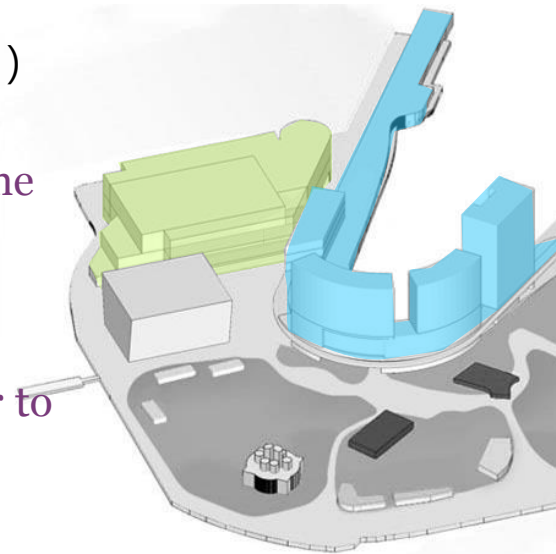
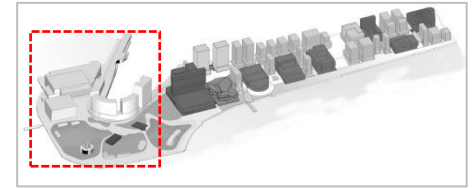
(5) Enhanced Financial Arrangement (Cont'd) 加強財務安排 (續)

Key Components (Cont'd) 主要組成部分 (續)

B. Grant of development right of the **Exhibition Hub Development Area (EHDA)** to WKCDA **without upfront payment to Government**

將展覽樞紐發展區的發展權批予管理局 (毋須向政府支付前期款項)

- This development package comprises the Exhibition Centre and the adjacent U-shaped hotel and office site
此發展組合包括展覽中心及毗鄰一幅U形酒店及辦公室用地
- Through open tendering, WKCDA will identify a successful bidder to undertake development of the EHDA package under a BOT arrangement, and share the income generated to obtain recurrent income
管理局會公開招標，中標的機構會透過「建造、營運及移交」安排發展展覽樞紐發展區，管理局會攤分收入以獲取經常收入
- Upfront payment to Government is not required
毋須向政府支付前期款項



(5) Enhanced Financial Arrangement (Cont'd)

加強財務安排 (續)

Key Components (Cont'd) 主要組成部分 (續)

- C.** To fund the development of the Music Centre and its embedded OACF and RDE facilities as early as possible, and to tide over an interim operating deficit, WKCDA will explore various **financing options** (e.g. issuing bonds or raising bank loans) 為了儘早提供資金發展音樂中心和當中包含的其他文化藝術設施及零售 / 餐飲 / 消閒設施，以及應付中期營運赤字，管理局將探討不同的**融資方案**(例如發行債券或向銀行借貸)

- D.** Government to **retain the right to share income** from the HOR portion with WKCDA upon expiry of the BOT periods having regard to its funding needs 政府會保留權利與管理局在「建造、營運及移交」期限屆滿後，視乎管理局的資金需要，**攤分**酒店 / 辦公室 / 住宅部分的**收入**

(6) Comparing Existing & Enhanced Financial Arrangements 比較現行及加強財務安排

Without
enhanced financial
arrangement
沒有加強財務安排

Exhaustion of capital funding 耗盡資本資金

- WKCD cannot deliver Batch 3 facilities and a major portion of RDE facilities, nor can it rely on external borrowing to fund the capital cost. 管理局不能推展第三批及大部分零售 / 餐飲 / 消閒設施，亦不能憑藉對外借貸來支付資本成本。

With
enhanced financial arrangement
加強財務安排下

A multi-pronged approach to address capital funding needs

多管齊下處理資本資金需要

WKCD can deliver and operate the planned facilities in line with the organic growth approach, especially –

管理局有能力根據有機發展模式推展和營運擬建設施，特別是 –

- the **Music Centre** (Batch 3); and
推展第三批設施中的**音樂中心**；以及
- the **Exhibition Centre** (as part of the EDHA package) through public-private partnership (PPP).
以公私營合作發展模式推展**展覽中心**(作為展覽樞紐發展區一部分)。

- WKCD can leverage on the development right and long-term income stream to secure **external borrowing**.
管理局可以借助發展權和可觀的長遠收入來源**對外借貸**。
- Under BOT, developers have to deliver the RDE facilities embedded in the HOR buildings, thus reducing WKCD's capital outlay.
在「建造、營運及移交」安排下，發展商亦需要發展酒店 / 辦公室 / 住宅樓宇當中包含的零售 / 餐飲 / 消閒設施，因而減低管理局的資本開支。

(6) Comparing Existing & Enhanced Financial Arrangements (Cont'd) 比較現行及加強財務安排 (續)

Without enhanced financial arrangement 沒有加強財務安排

Prolonged operating deficit 長期營運赤字

- WKCD is projected to incur operating deficits starting from 2017-18.
管理局預計由2017-18年度開始出現營運赤字。
- The alternative of making another one-off endowment to WKCD will at best enable WKCD to build the remaining facilities, but once the endowment is used up and when more CACF and OACF are commissioned, WKCD will face even bigger operating deficits.
如選擇向管理局作另一次一筆過撥款，只足以讓管理局推展餘下的設施，但當管理局用畢有關撥款及更多核心文化藝術設施及其他文化藝術設施啟用時，管理局將面對更嚴重的營運赤字。

With enhanced financial arrangement 加強財務安排下

Long term, sustainable operation 長遠穩健營運

- WKCD will have a steady source of recurrent income from HOR developments to meet its operating deficit during the BOT period. Upon expiry of the BOTs and return of the HOR properties to WKCD, they will bring considerable recurrent income to enable WKCD to grow stronger and healthier.
在「建造、營運及移交」協議期間，酒店 / 辦公室 / 住宅發展將為管理局提供長遠穩定的經常收入來源以應付營運赤字。當「建造、營運及移交」協議期陸續屆滿及有關項目移交管理局後，這些項目會為管理局帶來可觀的經常收入，令西九文化區的財務狀況更為穩健。

(6) Comparing Existing & Enhanced Financial Arrangements (Cont'd) 比較現行及加強財務安排 (續)

Without enhanced financial arrangement 沒有加強財務安排

Complications in land ownership and management

複雜的業權及管理

- Multiple ownership and management authorities for different strata of the buildings give rise to complications for the Land Grant for WKCD and possible conflicts.
酒店 / 辦公室 / 住宅樓宇中多重分層業權及管理權導致西九文化區批地問題複雜和潛在衝突。

With enhanced financial arrangement 加強財務安排下

Holistic ownership and effective management

完整的業權及有效管理

- Retention of ownership of the HOR sites by WKCD ensures that the entire WKCD would be designed and managed in a holistic and integrated manner to complement the phased commissioning of the arts and cultural facilities, thus preserving the integrity of WKCD in the long run.
管理局保留酒店 / 辦公室 / 住宅用地的業權有助確保整個文化區有較整體和全面的設計和管理，配合西九文化區文化藝術設施分批落成，長遠維持文化區的完整性。

(7) Next Steps 下一步的工作

- Government and WKCDA will work out the details based on the framework of enhanced financial arrangement approved by the Executive Council.
政府和管理局將根據行政會議批准的加強財務安排框架，制訂加強財務安排的細節。
- The detailed terms and conditions of the enhanced financial arrangements will be governed by a Project Agreement to be signed between the Government and WKCDA later this year.
管理局將於今年稍後與政府訂立項目協議，列明加強財務安排的詳細條款。
- Government will continue to honour its commitment and apply to LegCo Finance Committee for funding to construct the PIW and Integrated Basement by phases.
政府將繼續兌現承擔公共基礎建設工程和綜合地庫工程的承諾，分階段向立法會財委會申請撥款。

Thank You
謝謝