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

Meeting on 10 June 2019

Updated background brief on the Art, Commerce and Exhibitions Development Package of the West Kowloon Cultural District

Purpose

This paper provides background information on the Art, Commerce and Exhibitions ("ACE") development package (formerly known as the Exhibition Hub Development Area) of the West Kowloon Cultural District ("WKCD"), and 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 the subject.

Background

2. To provide WKCD with the financial capability to operate various WKCD facilities sustainably and continue to develop the remaining planned facilities, the then Chief Executive announced in his 2017 Policy Address the enhanced financial arrangement ("EFA") for the WKCD project.¹

3. Under EFA, the Government has granted the development rights of the hotel/office/residential ("HOR") portion of WKCD (involving 366 620 square metres ("sq m") gross floor area ("GFA")) to WKCD at nominal premium with upfront payments to be paid to the Government. Among this HOR GFA, a U-shaped site of 81 066 sq m GFA of hotel and office uses together with embedded retail/dining/entertainment ("RDE") facilities

¹ Details of EFA are set out in the Legislative Council Brief (File Ref: [SF\(37\) to HABCS CR 7/1/27/1](#)) issued by the Home Affairs Bureau on 19 January 2017.

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"), which is now being taken forward under the ACE development package. The location of ACE is shown on **Appendix I**.

4. In February 2018, the Administration and WKCDA briefed the Joint Subcommittee on the following development strategies for ACE:²

- (a) *procurement model*: WKCDA will develop ACE under the Build-Operate-Transfer ("BOT") model whereby private sector investors/partners will be invited to tender for the right to construct and operate the facilities in the package during the BOT period;
- (b) *components of the package*:
 - (i) the proposed EC will be a medium-sized, multi-purpose venue for exhibition, convention and performance purposes; and
 - (ii) the hotel and rental offices and the embedded RDE facilities will be packaged as part of the BOT development to capture the synergy in design, construction and management;
- (c) *implementation strategy*: WKCDA engaged a project consultant in July 2017 to advise on the implementation strategy and plan for the ACE development package;
- (d) *public engagement*: WKCDA will commence a new stage of public and stakeholder engagement to update the general public on the planning of ACE and solicit views on the proposed EC;
- (e) *market engagement*: market engagement exercise will also be carried out to generate market interest in the project and to gather feedback from potential domestic and international market participants. Potential market participants include exhibition centre/convention centre and performance venue operators, developers, hotel owners and investors; and

² Source: [LC Paper No. CB\(1\)559/17-18\(01\)](#)

- (f) *tendering*: after considering and assessing the views/suggestions received from the engagement exercises, WKCDA will prepare the tender document. Tenderers will compete on, among other technical requirements, their offer of share with WKCDA the income generated from the operation of the BOT development package.

5. In June and November 2018, WKCDA updated the Joint Subcommittee on the latest progress of the ACE development package. According to WKCDA, an external law firm was appointed to draft the tender document and development agreement for the ACE development package, and the tender document would set out the terms and conditions, including key commercial terms, performance indicators, tender assessment criteria and the BOT period. It was estimated that the tender would be awarded at around the second quarter of 2020 for completion of ACE by around 2024/2025.³

Major views and concerns of members

6. The major views and concerns expressed by members at meetings of the Joint Subcommittee on the development of the ACE development package are summarized in the ensuing paragraphs.

Details of the Build-Operate-Transfer development package

7. Members enquired about the specific details of the development of ACE under the BOT arrangement, including whether the Administration, WKCDA or the private sector partners would be responsible for the design of the facilities, the construction period and costs, the BOT period and the income sharing ratio between WKCDA and the private sector partners.

8. WKCDA advised that the successful tenderer would be responsible for the design, construction and operation of facilities under the ACE package according to the technical requirements and specifications set out in the tender document by WKCDA. Tenderers would be required to indicate the ratio of income from the operation of the BOT development package that they would share with WKCDA having regard to the tender conditions set by WKCDA. To ensure that private sector developers would propose a reasonable offer, WKCDA was required to come up with its own assessment of the income sharing ratio under full market value for the ACE development package. WKCDA would retain the right to cancel the tender if the income to be shared with WKCDA offered by tenderers

³ Sources: LC Paper Nos. [CB\(1\)1066/17-18\(04\)](#) and [CB\(1\)115/18-19\(03\)](#)

was unreasonably low (i.e. lower than the pre-tender estimate undertaken by an independent valuation). As regards the BOT terms and duration, WKCDA was considering the appropriate length of the BOT period, which would be at least 30 years, and other BOT terms in the light of the feedback from the market engagement exercise.

9. Some members were concerned about the future role of the Government in monitoring the development of ACE in WKCD after granting out the development right. The Administration advised that the Home Affairs Bureau, as a public officer member of the WKCDA Board, would monitor WKCDA's implementation of the WKCD project, including the development of the ACE package under the BOT arrangement. Furthermore, the Project Agreement to be signed between the Government and WKCDA under EFA would set out the right of the Government to share the income generated from the ACE development package upon expiry of the BOT period having regard to the funding requirements and financial position of WKCDA.

Tendering arrangement

10. Members were keen to ensure that the tendering of the ACE development package would be conducted by WKCDA in an open and competitive manner. They asked whether there were any relevant guidelines for WKCDA to follow. WKCDA advised that it would draw up a set of tendering guidelines having regard to current market best practices. An internal task force had been set up by WKCDA to plan for the implementation of EFA and prepare the tendering guidelines for approval by the Board of WKCDA.

11. Members also enquired about the tender assessment and selection for the ACE development package including the criteria and their relative weightings.

12. WKCDA indicated that it would adopt a two-staged approach with prequalification to assess the level of interest, competence, expertise and experience of tenderers for the ACE development package. Given the distinctive expertise and competence required for ACE, WKCDA anticipated it was likely that potential participants might form consortia to bid for the tender. The shortlisted potential private sector partners would then be invited to tender and successful tenderer would be selected through an open and competitive tendering process. WKCDA would assess the tenders based on both technical and financial aspects by using a marking scheme. Assessment on the technical aspect, including both compulsory and optional requirements, would focus on the expertise and competence of the tenderers in operating the hotel, rental offices and exhibition facilities.

Planning for the development of the Exhibition Centre

13. Some members asked for a breakdown of GFA of the ACE portion by land use (i.e. hotel, rental offices, embedded RDE facilities and EC), and whether WKCDA had conducted a comprehensive planning for the exhibition facilities under the ACE development to avoid over-supply of such facilities in Hong Kong.

14. WKCDA explained that it would only set out the land use breakdown of the ACE site in broad terms so as to provide the developer with the flexibility in deciding the most appropriate mix of different land uses. The proposed EC with GFA of about 47 000 sq m would serve to respond to a growing demand for space from expanding convention and exhibition events as well as new events that could not secure slots in existing convention and exhibition venues. Moreover, it aimed to provide a platform to support cultural and creative industries in particular major art-themed events such as art fairs and art exhibitions which had to face keen competition with other hirers for existing exhibition spaces. Moreover, with a seating capacity of around 10 000 persons in concert mode, column-free and meeting specified acoustic standards, the main hall of EC would also be suitable for staging various types of performances. Making reference to local and overseas experiences, a hotel in ACE would complement EC by helping attract more functions and events, and such integrated development approach would also allow the private sector partners to capture positive externalities generated by EC and enhance the site development mix.

Latest development

15. At the meeting of the Joint Subcommittee to be held on 10 June 2019, the Administration and WKCDA will update members on the latest development of the ACE development package.

Relevant papers

16. A list of the relevant papers on the Legislative Council website is in **Appendix II**.

ACE 的位置
Location of ACE



資料來源：[立法會 CB\(1\)1066/17-18\(04\)號文件的附件](#)
Source: Annex to [LC Paper No. CB\(1\)1066/17-18\(04\)](#)

**Art, Commerce and Exhibitions Development Package
of the West Kowloon Cultural District**

List of relevant papers

Committee	Date of meeting	Paper
Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project	21.2.2017 Item II	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	9.2.2018 Item II	Agenda Minutes
	11.5.2018 Item II	Agenda Minutes
	11.6.2018 Item IV	Agenda Minutes
	6.11.2018 Item III	Agenda Minutes