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

Proposed extension of period of work of the Joint Subcommittee

Purpose

This paper seeks the views of members of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project ("the Joint Subcommittee") on the need for the Joint Subcommittee to extend the period of its work and continue to operate in the 2019-2020 session.

Background

2. The Joint Subcommittee was appointed by the Panel on Development ("DEV Panel") and the Panel on Home Affairs ("HA Panel") in November 2016 to monitor issues relating to the implementation of the West Kowloon Cultural District ("WKCD") project, including the work of the West Kowloon Cultural District Authority ("WKCDA"), the project's interface with arts and cultural development, and other related matters. According to its work plan, the Joint Subcommittee will follow up the recommendations of the former Joint Subcommittee formed in the Fifth Legislative Council ("LegCo") and focus its work on the following areas:

- (a) the taking forward of the Development Plan for WKCD;
- (b) planning and development of the core arts and cultural facilities and other associated facilities;
- (c) strategy for the development of cultural software, such as the artistic positioning and mode of governance of and management strategy for the performing arts facilities;

- (d) financial management and procurement procedures; and
- (e) governance and work of WKCDA.

3. The Joint Subcommittee was given permission by the House Committee ("HC") for continuation of its work in the 2017-2018 session and in the 2018-2019 session at the HC meetings on 7 July 2017 and 6 July 2018 respectively.

Work of the Joint Subcommittee in the 2018-2019 session

4. The Joint Subcommittee has, since November 2018, held four meetings, and will hold one more meeting on 10 June 2019. Major issues studied/to be studied by the Joint Subcommittee in this session include:

- (a) update on the progress of the WKCD development;
- (b) update on the development of Xiqu Centre (which was opened in January 2019), Art Park, Freespace, Lyric Theatre Complex ("LTC"), M+, as well as the Art, Commerce and Exhibitions ("ACE") development package and Artist Hostel/Residence;
- (c) cultural software development for WKCD;
- (d) update on the development of Zone 2 of WKCD, and the funding proposal for the construction of Zone 2 of the Integrated Basement ("IB");
- (e) integration and connectivity of WKCD with its neighbouring districts; and
- (f) update on the financial situation of WKCD.

Issues that may be followed up by the Joint Subcommittee if continuation of work is approved

Hardware and software development for the West Kowloon Cultural District

Implementation of core arts and cultural facilities

5. Pursuant to the pragmatic approach adopted by the Government and WKCDA since June 2013 to implement the WKCD project in the face of

financial challenges, the development of WKCD facilities have been taken forward in three batches (a table showing the batching, status and target completion dates of major WKCD facilities, and a schematic plan of these facilities are in **Appendices I and II** respectively).

6. Of the major facilities in WKCD, Xiqu Centre is the first one opened (in January 2019). Meanwhile, a number of construction projects for other facilities are still ongoing. According to WKCDA, the Art Park has been opening in phases with the final Phase 3 to be opened by the end of 2019, the Freespace will be in use in June 2019, the M+ Building is expected to secure the occupation permit ("OP") in the first quarter of 2020 for the opening of the Museum about a year later, the main works of LTC commenced in November 2018 and is expected to secure OP in 2023, and the construction of the superstructure of the Hong Kong Palace Museum commenced in April 2019 and is expected to secure OP in mid-2021 for opening a year later.

7. Having regard to the above development progress, the Joint Subcommittee may wish to continue to monitor the implementation progress of the facilities of WKCD, and WKCDA's work on the cultural software development to dovetail with the gradual commissioning of the various arts and cultural facilities in WKCD. In parallel, the Joint Subcommittee may also wish to continue to examine the mode of governance and management, as well as the hiring policy and arrangements of the WKCD facilities.

Implementation of the Integrated Basement

8. IB is an integral component of the "City Park" conceptual plan forming the basis for the Development Plan for WKCD. The design enables traffic to be put underground thereby freeing up the site for cultural use and public enjoyment. Since IB had not been envisaged when the upfront endowment was granted to WKCDA in 2008,¹ the Government announced in July 2013 that it would fully fund the capital works of the main IB as general enabling works to facilitate the development of the WKCD project subject to the Finance Committee ("FC")'s funding approval, and would implement IB in phases to tie in with the phased development of WKCD. IB is divided into Zones 2A and 2BC (collectively referred to as "IBZ2"), and Zones 3A and 3B. The latest IB zoning plan cum topside development plan is in **Appendix III**.

¹ In July 2008, the Finance Committee approved a one-off upfront endowment of \$21.6 billion in money-of-the-day prices for WKCDA to implement the WKCD development covering arts and cultural facilities, retail/dining/entertainment facilities, public open space and certain transport facilities.

9. The Joint Subcommittee (in the former and current terms of LegCo) has scrutinized proposals for implementing the works of the development of IB. At its meeting on 14 January 2019, the Joint Subcommittee considered the funding proposal for carrying out the remaining works of IB in IBZ2, being the largest basement section in between Xiqu Centre to the east and LTC to the west. On top of the basement are the remaining arts and cultural facilities including the Music Centre, Musical Theatre, Great Theatre and Medium Theatre I and the hotel, office and residential ("HOR") developments.

10. According to WKCDA, subject to the funding approval of FC,² the construction of Zone 2A including an underground road will commence in phases from mid-2019 for completion to dovetail with the implementation of the topside development in around 2025. The detailed design and site investigation for Zone 2BC will commence in the second half of 2019, and the construction of which will commence in phases from 2020 to dovetail with the implementation of the topside development from 2027 and beyond.

11. Given that the timely implementation of the topside development will be contingent upon the on-time completion of IB, the Joint Subcommittee may wish to continue to monitor the progress of the IB construction works.

Implementation of public infrastructure projects

12. The Joint Subcommittee has all along been concerned about issues relating to the integration and connectivity of WKCD with its neighbouring districts, including the implementation progress of the public infrastructure works projects for WKCD. With the gradual commissioning of more WKCD facilities that will bring an increasing number of visitors to the district, the Joint Subcommittee may wish to keep on monitoring the implementation progress of the network of at-grade walkways, footbridges and subways connecting WKCD to the adjoining areas, including the Artist Square Bridge and the Austin Road Pedestrian Linkage System; the provision of public transport services including possible marine transport service; the provision of car and coach parking spaces; and the means for enhancing pedestrian accessibility within the district, such as SmartBike and the trial of an electric autonomous vehicle, etc.

² The funding proposal for the remaining works of IB was endorsed by the Public Works Subcommittee at its meeting on 14 May 2019.

Financial situation of the West Kowloon Cultural District Project

13. Since 2013, WKCDA has reported to the Joint Subcommittee from time to time that it has been facing financial challenges. The Joint Subcommittee has noted with grave concerns that the one-off upfront endowment of \$21.6 billion approved by FC in 2008 for WKCDA to implement the WKCD project and its investment income would only be sufficient to cover the costs of the design and construction costs of Batch 1 and most of Batch 2 facilities, while the implementation of Batch 3 facilities would have to be reviewed. According to WKCDA, upon the commissioning of more arts and cultural facilities in WKCD, the Authority is facing a prolonged and increasing structural operating deficit primarily attributable to the associated running cost. Based on the latest estimates of WKCDA reported to the Joint Subcommittee in April 2019, after the opening of Xiqu Centre and phased opening of Art Park including Freespace, WKCDA's overall operating deficit before depreciation will be around \$847 million in 2019-2020.

14. The arrangements decided to be adopted by the Government/WKCDA to meet the financial challenges of WKCDA included the followings:

- (a) Enhanced Financial Arrangement ("EFA")—the Government will grant the development rights of the entire HOR portion of WKCD to WKCDA at nominal premium for development under the Build-Operate-Transfer ("BOT") model; and
- (b) external borrowing—WKCDA will engage a financial consultant to draw up an external borrowing plan, with the options of issuing bonds and/or raising loans in several tranches in the coming years.

15. Members of the Joint Subcommittee expressed various concerns over EFA, including the details of the BOT arrangements for the HOR development, duration of BOT and the income sharing between WKCDA and private developers, etc. As regards the external borrowing plan of WKCDA, members were keenly concerned about the cost of engaging the financial consultant, the timetable of implementing the plan, the total amount of funding that WKCDA sought to raise, and how the loans would be repaid, etc.

16. According to WKCDA in April 2019, it would soon take forward the first BOT project, i.e. the ACE development package. WKCDA was finalizing the invitation for expression of interest for the ACE project for issue in the second quarter of 2019, to be followed with issuing the tendering document to the shortlisted tenderers in the third/fourth quarter of 2019.

WKCDA also advised that it would soon commence consultancy to provide financial advisory services in the second quarter of 2019 to review its budget and to draw up an external borrowing plan. It was estimated that the external borrowing plan would be completed in the third/fourth quarter of 2019. WKCDA would update the Joint Subcommittee on the progress in due course.

17. In the above connection, the Joint Subcommittee may find it necessary to continue to follow up with the Government/WKCDA on the implementation of EFA and the external borrowing plan.

Procedure for extension of period of work

18. Rule 26(c) of the House Rules provides that a subcommittee should complete its work within 12 months of its commencement and report to the relevant Panel(s). If it is necessary for a subcommittee to work beyond 12 months, it should, after obtaining the endorsement of the relevant Panel(s), report to HC and give justifications for an extension of the period of work.

Advice sought

19. Members' views are sought on whether the Joint Subcommittee should continue its work in the 2019-2020 session.

Council Business Division 1
Legislative Council Secretariat
4 June 2019

Appendix I

Status and target completion dates of major West Kowloon Cultural District ("WKCD") facilities

Facilities	Status and target completion date
<i>Batch 1</i>	
Temporary Nursery Park	Opened in July 2015
M+ Pavilion <i>(previously called Arts Pavilion)</i>	Opened in July 2016
Xiqu Centre <i>(including Tea House)</i>	Opened in January 2019
Art Park	Phase 1 of the Art Park and a section of the waterfront promenade was opened in early 2018. Phases 2A and 2B of the Art Park were opened in March 2019. The remaining Phase 3 will be opened by the end of 2019.
Freespace	Construction works in progress Target to be in use in June 2019
M+ Building	Main works in progress Target to secure the occupation permit ("OP") in Q1 2020, with opening of the Museum approximately a year later
<i>Batch 2</i>	
Lyric Theatre Complex ("LTC") <i>(including a Lyric Theatre, a Medium Theatre and a Studio Theatre)</i> ^(note)	Main works in progress Target to secure OP in 2023
Centre for Contemporary Performance ("CCP") <i>(including two black box theatres)</i>	Mode of development of the remaining two black box theatres to be reviewed as one of the three black box theatres in CCP has been incorporated into LTC
Medium Theatre II ^(note)	Incorporated into LTC

Facilities	Status and target completion date
<i>Batch 3</i>	
Music Centre <i>(including Concert Hall and Recital Hall)</i>	High priority under the enhanced financial arrangement
Musical Theatre	To be developed through public-private partnership subject to private sector funding
Great Theatre	To be reviewed and delivered gradually having regard to demand in line with the organic growth approach of WKCD
Medium Theatre I	
<i>Others</i>	
Exhibition Centre	To be developed through Build-operate-transfer arrangement packaged with hotel/rental offices of the adjacent U-shaped site (Art, Commerce and Exhibitions Project)
Hong Kong Palace Museum <i>(Developed under the donation of The Hong Kong Jockey Club Charities Trust)</i>	Construction of superstructure commenced in April 2019, with OP targeted to be granted in mid-2021, with opening one year later
M+ Phase II	To be reviewed and delivered gradually having regard to demand in line with the organic growth approach of WKCD
Xiqu Small Theatre	

Note:

The originally proposed Medium Theatre II and one black box theatre (now called Studio Theatre) of the CCP were incorporated into the building of the original Lyric Theatre to form LTC to advance their provision.

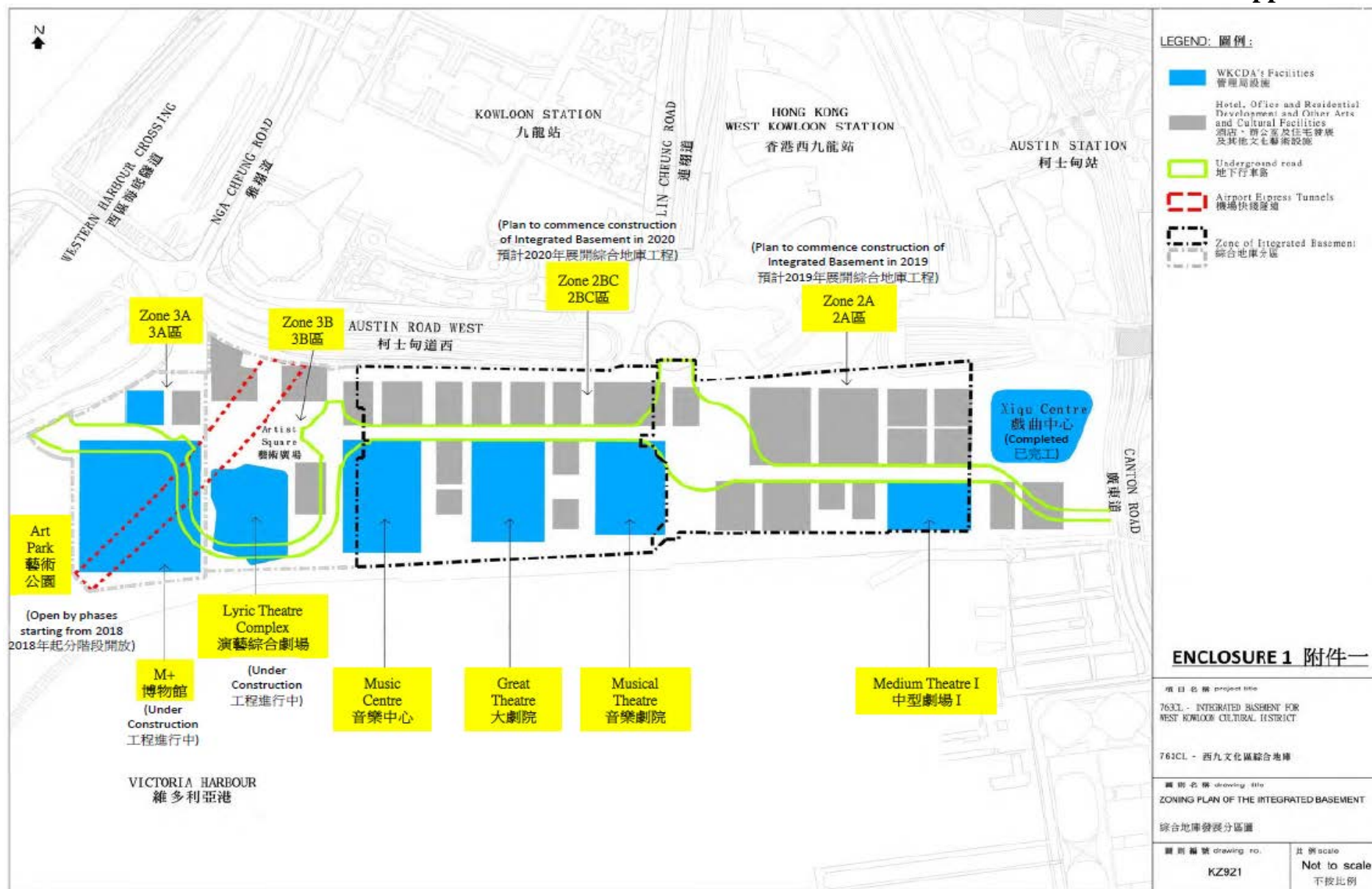
(Source: Annex 2 to [LC Paper No. CB\(1\)914/18-19\(01\)](#))

西九文化區主要設施示意圖
Schematic plan of major West Kowloon Cultural District facilities



資料來源：[立法會 CB\(1\)115/18-19\(03\)號文件的附件](#)
Source: Annex to [LC Paper No. CB\(1\)115/18-19\(03\)](#)

附錄 III Appendix III



資料來源: [立法會 CB\(1\)418/18-19\(03\)號文件的附件一](#)

Source: Enclosure 1 to [LC Paper No. CB\(1\)418/18-19\(03\)](#)