

For discussion on  
27 April 2020

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

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

**PURPOSE**

This paper provides an update on the Art, Commerce and Exhibitions (ACE) development package 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 a maximum of 366 620 square metres (sqm) gross floor area (GFA)) to the West Kowloon Cultural District Authority (WKCDA or the Authority). Among this HOR GFA, a maximum of 81 066 sqm GFA of hotel and office are earmarked for joint development with the Exhibition Centre (EC) as one package. Upfront payment to the Government is not required for this development package. Given the multi-purpose nature of the EC including meeting demands for arts and cultural facilities, the EC development is branded as the ACE Project. WKCDA is seeking private sector partners to deliver the ACE Project 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 (Joint Subcommittee) on the development strategy of the ACE Project (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 provided for Members' information.

4. On 11 June 2018, WKCDA updated the Joint Subcommittee on the progress of the ACE Project, including the development parameters and tentative timelines for the development (LC Paper No. CB(1)1066/17-18(04)). Members were also briefed on the market engagement feedback and that potential private sector partners had expressed interest in participating in the project. As reported previously, WKCDA briefed the WKCDA Consultation Panel on the ACE Project on 4 May 2018. Other relevant bodies, including the Travel Industry Council, the Task Force on Harbourfront Developments in Kowloon, Tsuen Wan and Kwai Tsing of the Harbourfront Commission as well as the Yau Tsim Mong District Council, have also been briefed. A series of public engagement exercises, including media briefing, roving exhibitions, etc., was also conducted to update the general public on the planning of the ACE Project.

5. On 10 June 2019, WKCDA updated the Joint Subcommittee on the progress of the ACE Project (LC Paper No. CB(1)1128/18-19(03)) including the preparation of the Land Grant (Land Grant) for WKCD, and the objectives, requirements and outcomes of the ACE Project. On 25 November 2019, WKCDA updated the Joint Subcommittee on the progress of Expression of Interest (EOI) of the ACE Project (LC Paper No. CB(1)149/19-20(02)).

6. A map showing the location of the ACE Project is attached at **Annex**.

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

7. WKCDA has been pushing forward with planning for the development of the HOR within WKCD. The ACE Project is the first HOR project to be implemented. The ACE Project comprises an EC of 47 045 sqm GFA, hotel and rental offices of total GFA of 81 066 sqm, and embedded Retail, Dining and Entertainment (RDE) facilities with a GFA of 6 894 sqm.

8. The procurement process of the ACE Project involves two stages: a pre-qualification process, by way of an Expression of Interest (EOI) exercise leading to the formal tender stage. The invitation for EOI closed on 26 August 2019 and strong interest was received. The pre-qualification applicants were evaluated against several criteria including vision and strategy; financial capability and capacity; development/operating capability and Private Public

Partnership (PPP)/BOT experience. WKCDA has shortlisted several applicants who met the above criteria.

9. Developing the ACE Project under a BOT arrangement will allow WKCDA to capture market capability and opportunities in design, construction and management of this multi-function development in support of WKCDA's arts and cultural objectives.

10. In line with the terms of the EFA, WKCDA is not allowed to sell any part of the land or premises in WKCD to any third party. This single lease approach will ensure that WKCD will 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 WKCDA.

11. Based on response from the shortlisting exercise and the assessment of the latest market conditions, WKCDA recommended a longer BOT period of 43 years (5 years for construction and 38 years for operation) to better align with the long term investment nature of the ACE Project and reinforcing the fundamental terms to harness highest commitment from the potential tenderers.

12. The tender process of ACE Project will commence in the coming few weeks and shortlisted applicants will be invited to submit tender. Tenderers will compete on the percentage of gross income to be shared with WKCDA. WKCDA will retain the right to cancel the tender if the income to be shared with WKCDA offered by tenderers is unreasonably low.

## **SELECTION CRITERIA OF THE ACE PROJECT**

13. The first stage of the tender assessment involves an assessment against mandatory criteria that the tenderers must pass to progress to the technical assessment stage of evaluation. These mandatory criteria include financial capacity of the shareholders and the credentials of the nominated exhibition centre operator and hotel operator for the ACE Project.

14. Tender submissions that have passed the mandatory criteria assessment will be assessed against the technical criteria covering the following aspects:

a). Commercial and Legal	b). Development Phase	c). Operations Phase
i. Shareholding and organisational structure ii. Project management and risk iii. Commercial structure iv. Financing plan	i. Delivery team ii. Design concept iii. Programme delivery iv. Construction procurement v. Construction management vi. Construction sustainability	i. Business plan ii. Pre-opening plan iii. Facilities maintenance and asset management iv. Hand back v. Operations experience

15. Financial proposal submissions will be opened after completion of the assessment of the technical proposal submissions. Tenderers will be ranked based on the result of the combined score and recommendation will be made to the WKCDA Board for decision.

16. Throughout the development phase of the project, the Authority will monitor the design and construction progress by a series of measures, including imposing milestones to commence site works and a completion timeframe. Regular progress reports would be made by the successful tenderer and liaison meetings would be held between the Authority and the successful tenderer to consider, discuss, review, monitor and resolve matters to facilitate the satisfactory completion of the development. The Authority will also specify the interfacing requirement in the contract to ensure the compatibility of the ACE Project with other facilities in WKCD.

17. The successful tenderer will be subject to a performance monitoring regime in order to ensure it fully achieves the operational requirements. The key performance indicators (KPIs) of the ACE Project will focus on driving the optimisation of the synergy between the art and culture objectives of WKCD and the commercial potentials associated with the EC, hotel, offices and the RDE facilities.

18. It is estimated that the tender will be awarded in Q4 2020 with a target to complete the ACE development package by 2025/2026.

**ADVICE SOUGHT**

19. Members are invited to note the progress of the ACE development package in WKCD.

**West Kowloon Cultural District Authority  
April 2020**

ACE 位置  
Location of ACE

