

**For discussion on
18 June 2021**

Legislative Council Panel on Home Affairs

**Development of Water Sports Complex
at Rehabilitated Shek O Quarry Site**

Purpose

In the 2020 Policy Address, the Government announced as part of the “Invigorating Island South” initiative that it will explore the development of a water sports centre at the rehabilitated Shek O Quarry site (the Site) under public-private partnership (PPP) to provide advanced training facilities for athletes and water sports enthusiasts. This paper briefs Members on how the Government intends to take forward the development, including launching an open tendering exercise in end July 2021 to identify a non-government partner to design, build and operate (DBO) the water sports complex.

The Site

2. The Site zoned “Undetermined” (“U”) on the approved Tai Tam and Shek O Outline Zoning Plan is located on the west coast of D’Aguilar Peninsula and next to the Shek O Country Park, overlooking the scenic Tai Tam Bay. Famous for its beautiful waters, Tai Tam Bay is a year-round popular water sports hub in Hong Kong – the relatively calm sea conditions in summer make it an ideal place for novices to learn basic water sports skills, while the strong winds and good sea conditions in winter provide a perfect platform for water sports enthusiasts.

3. On a wider geographical context, the Site is in the south-eastern part of Hong Kong Island. It is within the Southern District which is known for its rich blue-green assets including beaches, bays of different sea conditions, outlying islands as well as country parks, and has been a draw for people to enjoy outdoor sports and adventure activities including during the COVID-19 pandemic.

4. After the cessation of quarrying activity at the Site in 2011, the Government had carried out rehabilitation works with the Site's long-term water-borne recreational use in mind¹. The southern breakwater and the island at the entrance of the water area have created a shelter cove with sufficient water depth of around 7-10 metres that can support all types of water sports activities and berthing of sailing boats and yachts. An aerial photo of the Site is at **Annex A**.

Development Concepts

5. Having considered the development opportunities offered by the Site, the intended long-term water-borne recreational use, and the current water sports landscape (please see paragraphs 25-29 below), the Government aspires to provide a modern and professionally-run water sports complex that can (i) create new, unique and diversified water sports experience for the general public; (ii) strengthen training for professional athletes and sports enthusiasts; and (iii) improve the city's capacity for hosting sports competitions and events. As sites in accessible location that are both suitable and readily available for water sports development for public enjoyment are extremely rare in Hong Kong, the development should make the best use of the Site to provide recreational offerings for people of different ages and abilities in an affordable, family friendly, healthy and safe manner. The development should also become a premier sports complex in the region with modern facilities and quality management that combines sports with innovations, smart and green technology, as well as environmental sustainability.

6. To leverage private sector capital, expertise and innovation for the benefit of the community, the Government has decided to take forward the development in partnership with the private sector through PPP. To this end, the Government will launch an open tendering exercise in end July 2021 to identify a non-government partner to build, design and operate the development.

¹ The Site had been used as a works area for the Shatin to Central Link between 2014 and 2019.

Development Parameters for the Water Sports Complex

Site Particulars

7. The DBO tender for the proposed water sports complex will follow the exact boundary of the Site zoned “U”² (please see the boundary outlined in red at **Annex B**). The Site has a total area of about 35 hectares (ha), with 24 ha on the landside (mainly man-made slopes) and remaining 11 ha being waters (man-made lake). Of the 24 ha, 5.5 ha is relatively flat with some gentle slopes that can be developed without substantial slope cutting (please see the area outlined in blue at Annex A).

8. The development will be subject to a maximum gross floor area (GFA) of 55 000m² which should provide sufficient floorspace to deliver a multi-faceted sports destination. In addition to housing indoor sports facilities, the 55 000m² GFA can also be used to accommodate ancillary facilities directly related to the operation of the water sports complex such as check-in counters, changing and shower rooms, storage and lockers, boat yard etc., as well as other ancillary facilities to improve user convenience such as Food and Beverages (F&B), dining, retail, lodging facilities, etc. To ensure a good portion of the GFA is dedicated for water sports, the GFA for non-sports related commercial facilities such as F&B, dining, retail, lodging facilities, etc. will be capped at no more than 20% of the total 55 000m² GFA or the tenderer’s proposed GFA to be developed, whichever is smaller.

9. To increase design flexibility and innovation, we will not impose any building height or site coverage controls for the Site. Yet, low-rise development is expected for better compatibility with the surrounding natural environment. In particular, the development at the western shore should respect the existing ridgeline in order to maintain the existing character of Tai Tam Bay.

Permitted Uses

10. The Site will be dedicated for water sports-themed development, so residential, industrial and office uses will not be allowed. Though

² For the avoidance of doubt, surrounding land zoned “Green Belt” or “Country Park” will not be included into the area subject to the DBO tender.

hotel/resort-themed proposals will not be considered, lodging facilities for athletes and participants for multi-day events and activities will be permitted. The development will also permit ancillary uses in support of the water sports complex as mentioned in paragraph 8 above.

11. Sailing, windsurfing and canoeing are the three most popular water sports in Hong Kong. Other water sports seen in local waters include dragon boating, catamaran sailing, outrigger paddling, power boating, water skiing, jet skiing, wake boarding and standup paddling. To provide greater design flexibility for tenderers to increase the complex's attractiveness and inclusiveness with participation of all people and all ages, tenderers are free to propose the types and mix of water sports to be provided and decide how the land and water areas should be allocated for sports facilities and other permissible uses including berthing of sailing boats and yachts. While the Site should be used primarily for water sports, land-based sports will be allowed to fully utilise the Site for diversified user experience.

12. The water sports complex will be open to the general public on a non-discriminatory basis and at an affordable rate. This overarching principle is applicable to any sports facilities and their ancillary facilities, as well as non-sports facilities (such as berthing of sailing boats and yachts). As mentioned in paragraph 20 below, affordability to the general public will be a key assessment criterion of the tender exercise.

13. To promote waters sports amongst the young generation and support elite training, the winning tenderer will be required to comply with the following requirements during the contract period –

- (a) opening up its sports facilities to eligible outside bodies (such as schools, uniform groups, “national sports associations” and community sports associations) in a manner and at rates as specified by the Government; and
- (b) providing exclusive training facilities for the elite water sports supported by the Hong Kong Sports Institute (HKSI) such as windsurfing and other water sports to be designated by Secretary for Home Affairs³.

³ Currently, windsurfing is an elite sports supported by the HKSI and the team is trained at their existing base in Stanley.

Infrastructural issues

14. The winning tenderer will be responsible for funding and constructing infrastructural works for road and/or marine access, water and power supply, drainage, sewerage, etc. in order to ready the Site fit for development and subsequent operation. While Government's preliminary assessment reveals no insurmountable problems for such infrastructural works, we will set out to the best of our knowledge the site and infrastructural limitations that tenderers should be aware of in preparing their tender submissions. In particular, in face of the traffic constraint arising from Shek O Road (the major road connecting to the Site) especially for hosting sports events and competitions where there will be an upsurge in people traffic, franchised bus services and/or designated shuttle buses should be used for transporting users/visitors to/from the Site, while access to the Site by private cars should be restricted. Where necessary, the successful tenderer may need to consider marine transport. Tenderers will be required to provide a traffic-mix forecast in their tenders and demonstrate with supporting technical assessments that practical measures will be implemented to accommodate the projected traffic.

Tendering Exercise

Procurement and Funding Approach

15. Under the DBO procurement approach, the Government will enter a contract with the winning tenderer to grant it the right to design, build and operate the water sports complex at the Site for a finite period. The DBO approach integrates the processes of design, construction, operation, and maintenance of the water sports complex, motivating the winning tenderer to thoroughly consider maintenance, management and operation issues and increase quality of design and workmanship during the design and construction phase. The DBO approach is also expected to quicken project completion, thereby enabling the general public to enjoy the water sports facilities early.

16. The Government will not provide any funding, capital or recurrent before, during and after the contract period. The winning tenderer will be responsible for funding the design, construction, operation, management and maintenance of the water sports complex and infrastructural works for the entire contract period. Apart from bearing the full development costs, the

winning tenderer will also be required to share revenue with the Government during the operation phase under the contract⁴. We will defer to the potential tenderers to ascertain the market interest and business viability of such development.

17. In order to render the project commercially viable and more importantly, sustainable, a sufficiently long contract period of 25 years including design, construction and operation phases will be adopted. The winning tenderer could towards the end of the 25-year contract period apply to the Government an extension of the operation phase by up to 10 years, and the Government would consider whether to approve the application taking into account the contractual performance of the winning tenderer and other relevant factors. Suitable safeguards aimed to protect the Government's interest will be built into the DBO agreement to address different scenarios of under-performance by the winning tenderer. These safeguards may include, for example, handing over to the Government free of charge the site and/or specified structures thereon, and/or restoration of the Site to its original condition at no cost to the Government, etc.

Tendering Arrangement and Timetable

18. Following the Stores and Procurement Regulations, we are finalising the detailed tendering arrangements which will be subject to the approval of the Central Tender Board as part of our internal checks and balance process. Broadly speaking, we will adopt a two-envelope tendering process whereby tenderers' proposals will be evaluated on their technical and price offers, allowing the Government to select the proposal achieving the best combination of both. A Tender Assessment Panel (TAP) chaired by Home Affairs Bureau (HAB) with participation of relevant government departments will be formed to assess tenders received.

19. Any interested party, with substantial control in Hong Kong and being either one legal entity (registered in Hong Kong), or one legal entity comprising more than one participant as a consortium (registered in Hong Kong), may submit a tender. Consortium formed by private-sector company and sports club or association is allowed. Tenderer will first need to demonstrate compliance with essential requirements before their technical and

⁴ The revenue sharing arrangement may take the form of a fixed payment and/or share of proceeds.

financial offers are assessed by TAP. Such essential requirements are designed to ensure that the winning tenderer is technically, financially and legally capable of undertaking the proposed development⁵.

20. Subject to compliance with the essential requirements, the technical proposals will be assessed as per a marking scheme with key assessment criteria including realisation of the development concepts in paragraph 5 above (viz. providing new, diversified water sports experience for the general public, strengthening elite training, and enhancing event hosting capacity); merits of the overall design; optimisation of land and water space to deliver an attractive and inclusive sports destination for public enjoyment; affordability to the general public; application of innovations and technology; environmental sustainability; synergy with other attractions in the Southern District; engagement with stakeholders; quality of management plan; robustness of financial projections; and strength of the project team, etc. The technical proposal must reach a passing mark to ensure that the proposal adopted has attained the required quality. The marking scheme will be incorporated into the tender document so that tenderers will have a clear idea how their proposals will be assessed when preparing their bids.

21. The financial envelope will be assessed based on the monetary value of the proposed revenue sharing arrangement with the Government. A technical-to-price weighting will be applied to the respective technical and price scores to derive a combined score and the tenderer with the highest combined score will win. To encourage more attractive and innovative technical proposals, we propose that the technical and price weightings may fall within the range of 70-80% and 20-30% respectively. The Government would not underestimate the complexities, in terms of both planning, construction, operation and financing, to bring the proposed development to fruition, and will carefully assess and scrutinise the technical and financial proposals of the tenderers before awarding the contract.

22. The Government will invite tenders in end July this year. Tenderers will be given six months to prepare their submissions. Our target is to award the tender in the first quarter of 2022. The technical and financial proposals committed by the winning tenderer in its tender will be contractually binding and form the basis of the agreement to be entered with Government based on which the winning tenderer will be held accountable for its performance during

⁵ For example, the essential requirements may take the form of mandating the tender, or in the case of a consortium, at least one consortium member, to have experience of operating sports facilities in or outside Hong Kong for no less than a specified number of years.

the contract period. A working group comprising representatives of different Government departments will be set up to monitor and review the operation of the water sports complex and ensure contractual compliance. The winning tenderer will be required to deposit a performance bond with Government to better guarantee fulfillment of contractual obligations.

Post-tender Award

23. After the conclusion of the tendering exercise, the winning tenderer selected will have to complete the necessary technical assessments and meet all statutory requirements, including procedures under the Town Planning Ordinance (Cap. 131), the Environmental Impact Assessment Ordinance (Cap. 499), Foreshore and Seabed (Reclamation) Ordinance (Cap. 127) or any other Ordinances, after the award of contract. It is the sole responsibility of the winning tenderer to secure all necessary statutory approvals in order to take forward the project.

Consultation with Stakeholders

24. We consulted the sports sector on the proposed water sports complex on 31 May 2021. Representatives attending the meeting welcomed the proposal and put forth a range of suggestions including the possibility of providing a variety of sports facilities at the Site for access by “national sports associations” to better promote professional water sports development. We will continue to consult other stakeholders, including the district community, to gauge their views in due course.

Background

25. The Government is committed to promoting water sports in the community, supporting elite sports and developing Hong Kong into a centre for major international sports events.

26. At present, the Leisure and Cultural Services Department (LCSD) manages five water sports centres in Sai Kung, Stanley and Tai Mei Tuk, offering training programmes in kayaking/canoeing, sailing and windsurfing for beginners, public fun days and craft rental services for recreational and training purposes all year round. In addition, LCSD has been providing

subvention to four sea activities centres run by non-government organisations in Sai Kung, Stanley and Tai Mei Tuk.

27. Apart from the provision of water sports facilities, HAB also provides one-off funding as well as logistic support to “national sports associations” in organising major international water sports events in Hong Kong. These include the annual signature local swimming event, the Harbour Race; the Hong Kong International Dragon Boat Races; and the Volvo Ocean Race⁶ staged in the vicinity of Kai Tak Runway Park in 2018. The holding of the above activities not only helps promote water recreational and sports activities and a water-friendly culture, but also showcases the beauty of Hong Kong's Harbour.

28. The HKSI provides training for elite athletes in rowing, sailing and windsurfing. There are also four private sports clubs operating in seven locations providing water sports facilities and programmes for their members.

29. Small-scale commercial set-ups providing water sports training and equipment rental are found in Big Wave Bay, Tai Tam Tuk, Stanley, Cheung Chau, Lantau, Sai Kung and Tseung Kwan O.

Advice Sought

30. Members are invited to note and offer comments on the proposal.

Home Affairs Bureau
Policy Innovation and Co-ordination Office
June 2021

⁶ The Volvo Ocean Race is one of the top three sailing events in the world.

Aerial photo of the rehabilitated Shek O quarry site



Boundary of the rehabilitated Shek O quarry site

