Update on the Progress of
the ACE Development Package

PURPOSE

The purpose of this paper is to update Members on the progress of the Art, Commerce and Exhibitions (ACE) Development Package.

BACKGROUND

2. Since the Government’s announcement of the Enhanced Financial Arrangement (EFA) for the West Kowloon Cultural District (WKCD) on 18 January 2017, the West Kowloon Cultural District Authority (WKCDA) has been actively pushing forward the Art, Commerce and Exhibitions (ACE) Project. As part of this process, WKCDA briefed to the LegCo Joint Subcommittee to Monitor the Implementation of the WKCD project (Joint Subcommittee); and consulted the Consultation Panel and other relevant bodies including Travel Industry Council, Task Force on Harbourfront Developments in Kowloon, Tsuen Wan and Kwai Tsing of the Harbourfront Commission and Yau Tsim Mong District Council. A series of public engagement exercises, including a media briefing, roving exhibitions, etc., was also conducted to allow the general public a chance to learn about and comment on the planning of the ACE Project.

3. A map showing the location of the ACE Project is attached at Annex 1.

PROGRESS OF THE ACE DEVELOPMENT PACKAGE

4. WKCDA is keen to take forward with planning for the development of Hotel/Office/Residential (HOR) sites within WKCD. In
light of the situation on the ground, the first of these will be the ACE Project. The ACE Project comprises an Exhibition Centre (EC) of 47,045 sqm gross floor area (GFA) with hotel and rental offices (total GFA of 81,066 sqm) and embedded Retail, Dining and Entertainment (RDE) facilities (GFA of 6,894 sqm) in the adjacent U-shaped site.

5. The ACE Project will be located within a vibrant downtown art district, addressing a growing demand for space from art fairs, exhibition and convention organisers which are known to have difficulty securing space to allow them to enter into or expand in Hong Kong. EC would provide a platform to support cultural and creative industries in particular major art-themed events such as art fairs and art exhibitions which have to face keen competition with other hirers for existing exhibition spaces.

6. As with all HOR projects, WKCDA will adopt open and competitive tendering in selecting a private sector partner to deliver the ACE Project using a Build-Operate-Transfer (BOT) approach as required by the Government.

7. The procurement process of the ACE Project involves two stages: a prequalification process, by way of an expression of interest (EOI) and a tender stage. All submission received in response to the EOI will be evaluated against specified criteria including vision and strategy; financial and commercial, development capability and capacity; operating capability and capacity and Public Private Partnership (PPP)/BOT experience. Shortlisted submissions will be invited to tender. The private sector was invited to submit EOIs for the ACE Project in Q2 2019, as the first stage in the process with a deadline for submissions to be received on 26 August 2019.

8. The ACE Project will be developed under a BOT arrangement to capture market capability and opportunities in design, construction and management. The BOT period for the ACE Project will include a development phase which the WKCDA expects to be no longer than 5 years and an operation phase of at least 30 years.
9. WKCDA is not allowed to sell any part of the land or premises in WKCD to any third party, in line with the terms of the EFA. 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.

10. Depending on the outcome of the EOI exercise, the tender is expected to be issued to shortlisted applicants in Q4 2019. Tenderers will compete on, among other requirements, the level of income generated from the operation of ACE 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 (i.e. lower than the pre-tender full market value undertaken by an independent valuation). It is estimated that the tender will be awarded in Q3 2020 with a target to complete the construction of the ACE development in 2025.

11. Key objectives in the formulation of the approach to take forward the ACE Project include:

(a) to procure the ACE Project as a single development by harnessing the expertise of relevant private developer and operators;

(b) to develop the EC as an arts and cultural facility in accordance with the Development Plan and the required outcomes while achieving the highest and best use site optimization to deliver maximum commercial value to the WKCDA;

(c) to generate a financial return to the WKCDA as a contribution to the overall financing of the WKCD through an income sharing arrangement;

(d) to achieve optimal risk allocation whereby appropriate risks and rewards are shared between the private sector partners and WKCDA;
and

e) to integrate with other arts and cultural areas within the WKCD having full regard to the WKCD-wide planning themes and design principles.

12. The key requirements of the ACE Project will be set out in the EOI and will include the following specifications:

(a) The EC will provide a multi-purpose venue that will bring a distinct and unique facility that can complement other Hong Kong venues, and host major exhibitions and suitable arts and cultural performances. The main hall shall be able to accommodate various types of performances for a seating capacity of not less than 10,000 persons in concert mode, which will be column free and meet suitable acoustic standard up to Noise Criterion 35.

(b) Hong Kong is estimated to have a shortage in the supply of suitable exhibition spaces over the next 10 to 20 years, and the EC will have the opportunity to capture the demand for existing and new local/international events as well as to facilitate the holding of more arts and cultural related meetings and conferences.

(c) The hotel will benefit from the demand created by the EC, and other facilities in the WKCD and represents a unique harbour side development opportunity. There are also opportunities to make use of the operating synergies between the hotel and the EC to maximise commercial outcomes by attracting functions and events as well as providing facilities such as meeting rooms, banquet facilities, etc. The hotel will support the ACE Project for a wide range of Meetings, Incentive Travels, Conventions and Exhibitions opportunities. It is expected to be at least High Tariff B quality with a minimum GFA in aggregate of 21,000 sqm.

(d) The rental office is expected to be of Grade-A quality. Key uses of RDE facilities may encompass branded mid and upper-mid market
café/restaurants, grab-and-go outlets, as well as tourist-oriented or themed retail spaces.

13. The ACE Project is expected to deliver the following outcomes:

(a) for the EC to consistently attract premium international events and receive industry recognition as one of the leading world-class multi-purpose exhibition and event spaces in Asia;

(b) to provide for the unmet demand for existing and new exhibition and event space in Hong Kong;

(c) to capture the demand for event space (including for artistic and cultural events) at peak periods in Hong Kong, which is expected to require approximately 132 500 sqm of additional space by 2028\(^1\);

(d) to provide a flexible venue that can, whilst meeting other needs, raise the number of events in Hong Kong related to arts, culture and creative industries by covering a wide range of fairs and auctions in one space and complement the needs of the WKCD as a whole; and

(e) to provide hotel accommodation in support of, and easily accessible from, the EC as well as RDE and new office space, to create a vibrant “24/7” locale for residence, working and playing.

GOVERNANCE

14. WKCDA has established a Public Private Partnership (PPP) Projects Committee (PPP Committee) to oversee and monitor all PPP (including BOT) projects undertaken in WKCD.

15. The PPP Committee is responsible for independent oversight of the procurement process, approving the EOI and tender documents once approval to proceed has been granted by the WKCDA

\(^{1}\) Quoted from the 2014 Demand Study for New Convention and Exhibition Facilities in Hong Kong published by AMR International
Board. The PPP Committee is also responsible for reviewing the final EOI assessment report (if any) and tender assessment report prepared by the Tender Assessment Team and recommending the EOI shortlists and preferred tenderer to the WKCDA Board.

16. To ensure that a robust governance framework and procedures are in place for the procurement of PPP Projects, WKCDA has developed a set of Procurement Guidelines for Public Private Partnership Projects (the Guidelines) to establish a consistent process and governance structure for each PPP Project.

17. The Guidelines are intended to apply to a development package covering the whole process from WKCDA’s decision to proceed with procurement using a PPP model to contract award and financial close. Procurement under the Guidelines shall be fair and competitive; be transparent and consistently applied; identify and manage any conflicts of interest, whether perceived, actual or potential on the part of the tender assessment team members; maintain confidentiality of information; and be thoroughly documented.
ACE 和主要文化藝術設施的位置
Location of ACE and Major Arts and Cultural Facilities