

Chief Executive in Council approves West Kowloon Cultural District Authority's proposal

The Secretary for Culture, Sports and Tourism, Mr Kevin Yeung, announced today (July 17) that the Chief Executive in Council on July 16 conditionally approved the relaxation of the Enhanced Financial Arrangements (EFA) for the West Kowloon Cultural District (WKCD) that were approved in 2016, to lift the "Build-Operate-Transfer (BOT) only" restriction for residential developments within Zone 2 of the WKCD and to permit sale of the residential developments. There is no change to the maximum total residential gross floor area of 170 280 square metres permitted under the extant WKCD Development Plan.

The West Kowloon Cultural District Authority (WKCD) shall strictly observe a number of key performance indicators (KPIs) on financial discipline set by the Government, including a triennial cap on operating deficits and a cap on the percentage of staff cost to the total annual operating expenditure. In respect of new capital projects, the WKCD shall demonstrate to the satisfaction of the Government the reasonableness of the cost estimates for any new projects before they can be given the status of committed projects.

In respect of tenders for developments with residential components, the WKCD shall submit its tender schedules for the agreement of the Development Bureau (DEVB) and seek comments of the DEVB on the mechanism for setting the reserve price of the residential components of such tenders and the tender award recommendations for each sale exercise with residential components.

Mr Yeung said, "The WKCD is operating the WKCD under a self-financing principle. Following the completion of a number of cultural projects, the WKCD has emerged as a cultural landmark of Hong Kong, promoting international exchange in arts and culture. The Culture, Sports and Tourism Bureau (CSTB) has long been working closely with the WKCD. Apart from providing support for arts and cultural developments, the CSTB is also concerned about the WKCD's financial situation and challenges. The relaxation of the EFA will provide the economic prerequisites for the operation of the WKCD and resolve the current cash flow problem of the WKCD. The WKCD has to make good use of the land resources provided by the Government to ensure its own financial sustainability and thus ultimately achieve self-financing, which was the original intention of the WKCD's business model."

The said relaxation will allow the WKCD to continue its operations for about 10 years. During this period, the WKCD will devise and implement robust revenue generation and commercialisation measures, and strictly control operating costs in order to fulfil its commitment to operate the WKCD project on a self-financing basis. The CSTB will closely monitor the financial status and performance of the WKCD based on the KPIs, and work

with the WKCDA to identify feasible measures to resolve its long-term financial challenges.