

Annex 7

Detailed Calculation of Funding Requirement / Land Revenue / Operating Deficit / Net RDE Income

Part 1: Detailed Calculation of Funding Requirement/Land Revenue (Adopting Financing Option 2 and the Recommended Measures)

	NPV in \$billion	
	Capital costs	Land revenue
Base Case (CACF developed in 2 phases, OACF, communal and infrastructure facilities)	21.6	20.9
Measures to reduce capital costs and increase land revenue:		
(a) M+ : <u>Re para. 6.7 to 6.9 of the main text</u> <ul style="list-style-type: none"> • reduce the area of the M+ and use a lower NOFA/GFA ratio; • fine tune the split of its Phase 1 and Phase 2 area; (The above will release 36,580 sq. m. of GFA for office development) <u>Re para. 6.13 of the main text</u> <ul style="list-style-type: none"> • reduce the timeframe for the architectural design competition for the M+ through organizing a competition by invitation instead of an open competition 	(1.7)	0.8
(b) Performing arts facilities : <u>Re para. 6.10 to 6.12 of the main text</u> <ul style="list-style-type: none"> • use a lower NOFA/GFA ratio (The above will release 13,494 sq. m. of GFA for office development) <u>Re para. 6.13 of the main text</u> <ul style="list-style-type: none"> • introduce architectural design competition (by invitation) for the iconic performing arts venues, i.e. the Xiqu Centre and the Concert Hall/Chamber Music Hall 	(0.6)	0.3
(c) Replace one-third of the hotel GFA (i.e. GFA 28,000 sq. m.) by office development ^{Note 1} (see para. 6.14 of the main text)	N/A	0.1 ^{Note 2}

^{Note 1} To allow flexibility, this may be used for office or hotel developments depending on the prevailing market demand.

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	NPV in \$billion	
	Capital costs	Land revenue
(d) WKCD Authority to be responsible for the open space, automated people mover and car parks; the remaining transport and communal facilities and engineering works to be undertaken by the Government (see para. 6.18 of the main text)	(2.4)	N/A
Consequential reduction in capital costs of WKCD Authority and car parks <small>Note 3</small>	(0.2)	N/A
Vesting of RDE site (GFA 119,000 sq. m.) with WKCD Authority :	16.7	22.1
(a) Land revenue forgone in respect of the original total GFA for RDE 148,609 sq. m. (see para. 5.6 and 6.15 of the main text)		(3.9)
(b) Construction costs (incl. major overhaul) of RDE at 80% of the original RDE GFA (i.e. GFA of 119,000 sq. m.) to be vested with WKCD Authority (see para. 6.19 of the main text)	2.5	
(c) Land revenue generated from replacing 20% of the original RDE GFA (i.e. 29,609 sq. m.) by office development (see para. 6.15 and 6.19 of the main text)		0.7
Funding requirement/land premium (Adopting financing option 2 and the recommended measures)	19.2	18.9

Note 2 This is the net additional land revenue.

Note 3 The capitalised cost of the WKCD Authority during the development stage is reduced as the development stage is shortened by 1 year due to the shortened time for design competition of the M+. The public car parking spaces are reduced as a result of an increase in the commercial car parking spaces (which can be share-used by the public) arising from an increase in commercial GFA released from the package of measures to bridge the funding gap.

**Part 2: Detailed Calculation of Operating Deficit / Net RDE Rental Income
(Adopting Financing Option 2 and the Recommended Measures)**

	NPV in \$billion	
	Operating deficit	Net RDE rental income
Base Case (CACF developed in 2 phases, OACF, communal and infrastructure facilities)	8.4	9.4
Package of measures to bridge the funding gap:		
(a) Reduce the scale of the M+ as per Part 1 above	(1.3)	N/A
(b) Reduce the NOFA/GFA ratios of the performing arts facilities as per Part 1 above	(0.3)	N/A
(c) WKCD Authority to be responsible for the open space, automated people mover and car parks; the remaining transport and communal facilities and engineering works to be undertaken by the Government as per Part 1 above	(0.1)	N/A
Vesting of RDE site (GFA 119,000 sq. m.) with WKCD Authority :	6.7	9.4
(a) Reduce 20% of the original RDE GFA (i.e. 29,609 sq. m.) for office development	N/A	(1.9)
Operating deficit / net RDE rental (Adopting financing option 2 and the recommended measures)	6.7	7.5