

ANNEX B: MASTER PLANNING AND AREA MANAGEMENT

1. Role and Responsibilities of the Proposed Statutory Body

Area Development and Project Management Approaches to WKCD

1.1 Analysis of international experience has shown that the potential for increasing private sector involvement and for managing and financing a major public development on this scale would be enhanced by the establishment of a dedicated, area-based development and/or operating agency for WKCD. An agency would require wide public sector and private sector representation and dedicated resources and powers to plan, develop and operate facilities and infrastructure in the WKCD. The Government has stated its intention to create a statutory body to take forward the WKCD project. The principal roles which such a statutory body may undertake include:

- Master planning the development of the area in order to optimise the pattern of development. The master planning exercise should ensure the right financial, technical and artistic balance of cultural, commercial and communal infrastructure development across the area as a whole. The master plan should be in conformity with the relevant Outline Zoning Plan
- Developing the site and package and parcel cultural, commercial, and communal facilities in order to achieve the objectives of the master plan and to create the most financially viable packages of development. The proposed statutory body would be more able to cross-subsidise development through the use of “planning gain¹” and project packaging, and, where necessary, subsidise and cross-subsidise cultural facility operation through risk sharing private sector involvement (PSI) agreements
- Developing business propositions to be offered to private sector and other Not-for-Profit organisations, whilst ensuring the public interest is taken into account, both financially and culturally. The proposed statutory body’s area-based focus and dedicated purpose makes it better placed to create market interest and understand public and arts community interests and objectives
- Entering into risk sharing PSI contracts on behalf of the public sector ensuring that the public interest is taken into account but at the “arm’s length” from Government. The “arms length” feature is important and is required for funding, contractual and artistic purposes
- Holding seed capital endowment funds and/or other funds hypothecated² from the Government. Managing such funds, including the investment income arising and the operation (i.e. leasing out) of any revenue generating commercial or other facilities
- Ensuring effective revolving of funds within the area including non-revenue generating and revenue generating facilities
- Representing public sector involvement in the management structures of individual facilities. The statutory body would be instrumental in establishing and participating in Foundations, Trusts, and other Not-for-Profit

¹ Planning Gain is a mechanism which, through the statutory planning system, requires developers to provide certain facilities or services

² Hypothecate literally means “to pledge” (property) as security or capital for a debt without transfer of title or possession. In the context of WKCD, it means the funds or land development rights provided by Government to the proposed statutory body to facilitate the development of the WKCD

organisations essential for the ownership and operation of many cultural facilities

Powers and Representation of the Proposed Statutory Body

1.2 The FA recommends that:

- Membership of the board of the proposed statutory body should be drawn from a wide range of sectors in the community with an interest in the development of the area and the operation of its facilities and services. The composition of the membership can be expected to change over time as the role of the proposed statutory body changes
- The proposed statutory body should be responsible for the implementation of all cultural, commercial and communal / infrastructure facilities under their purview, i.e. it should have a development role
- The proposed statutory body should have a role in the subsequent operation of the area and its facilities, i.e. it should have an area management role

Given points 2 and 3 above, the FA also recommends that the status and powers of the proposed statutory body are flexible enough to accommodate the years in which its role is primarily construction and area management and years in which its role is primarily operational management.

Master Planning, Development and Area Management in WKCD

1.3 Based on the above recommendations the FA has assumed that the organisation and functions – and resulting staffing and costs - will be structured in two phases:

- Development Phase (Years 1 – 8)– when the role of the proposed statutory body would be primarily construction and area management. This would include leading and coordinating the development of the WKCD and initial programming of WKCD facilities, and commencing initial area and estate management functions
- Operating Phase (Years 9 onwards) – when the role of the proposed statutory body would be primarily operational management. This would include responsibility for area management of the WKCD and maintaining operating contracts

2. Organisation and Costs

2.1 For the purpose of the financial analysis, the FA has considered the implementation of master planning, area and project management by the proposed statutory body for all PSI scenarios and by government or its consultants under the public sector comparator (PSC) scenario. The costs differ between the PSI scenarios and the PSC mainly as a result of different staff structures and remuneration.

2.2 In estimating the master planning, area and project management costs for both the PSI and PSC scenarios, the FA has had regard to:

- International standards and benchmarks (to the extent possible) for the development, regeneration and operation of general urban development areas and of similar cultural and leisure destinations or visitor areas
- Existing experience of the statutory bodies in Hong Kong, local staff costs in the private sector and in government and consultations with other key stakeholders in Hong Kong

2.3 International experience was used to inform proposed staffing levels and structure. It is important to recognise that there is no single, readily “portable” model which Hong Kong can adopt for WKCD. In other cities there is significant variation in the

scale of the (cultural) development, the mix of the type of uses, the role of the agency in continuing operations of some or all facilities, the sources of funding and their governance requirements, the culture of public and private sector partnership, and a host of other factors which determine the organisational model adopted. The staffing and associated costs for urban regeneration agencies in other cities with apparently similar area development and management objectives varies quite considerably. For example:

- *The London Thames Gateway Development Corporation*, the new urban development corporation (UDC) for the most urban part of Europe's largest regeneration area. It has 5 directors (at an annual cost of around HK\$10.5 million equivalent) but only 12 -15 other permanent professional and administrative staff (at a annual cost of around HK\$12 million equivalent). However, the UDC makes wide use of development consultancy
- *The Lower Manhattan Development Corporation*, charged with the post 9/11 regeneration of this part of New York, has 7 directors and around 50 professional and administrative staff. This development corporation however has an important community development role as well as the high profile "Memorial" Development and Programming
- *The Brisbane South Bank Corporation*, is now primarily an area management and facility operating agency although it has some residual development role of its estate. It employs 411 people with an operating turnover of over HK\$450 million equivalent. In this case however the corporation owns and operates a major convention centre and other facilities, manages a commercial estate and is directly staffing the maintenance of its parks and open space

2.4 Rather than adopting a specific example from elsewhere therefore, the FA took account of the different roles and functions of these organisations, their experience and best practice in estimating the required staffing for master planning, area and project management for the WKCD.

Staff and Other Costs

2.5 The scope and functions of the proposed statutory body will be a subject of public consultation. The FA's preliminary estimate is that (in 2006 prices) there would be a requirement for:

- About 90 staff and an annual total operating costs of \$189.4 million³ under the PSI and \$196.7 million under the PSC in the Development Phase
- About 33 staff and an annual total operating costs of \$60.3 million under the PSI and \$61.4 million under the PSC during the Operating Phase

³ The annual total operating costs cover staff and related costs as well as other costs including administrative cost, accommodation costs, consultancy fees, etc.