

# STATES OF JERSEY



## ESPLANADE QUARTER DEVELOPMENTS: APPROVAL BY THE STATES (P.15/2014) – ADDENDUM

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Presented to the States on 14th March 2014  
by Senator A. Breckon

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STATES GREFFE

## COMMENTS

On 10th February 2014 I lodged a Proposition (P.15/2014), the essence of which was that none of the new developments currently proposed for the area known as the Esplanade Quarter, St. Helier, should be progressed until their details have been presented to and endorsed by the States Assembly. I should say that it is not a first for the States to debate what does and does not happen on this site.

In the report accompanying the Proposition, I set out a brief description of the Masterplan which was originally drawn up for the site and, after 2 years of consultation and debate, this was then approved by the States (i.e. the Masterplan – P.60/2008). In my original Report I listed the many and complex issues that have arisen following the proposed developers' (Harcourt) withdrawal from that plan. I also set out the nature of the some of the information that I believe is now required in greater detail in respect of the 'new' Masterplan. I believe that this is a reasonable request, as perhaps some of the most important aspects are the financial implications of the development's totality in the form of a properly constructed, intelligible and comprehensive business plan, inclusive of other aspects such as economic and business forecasts, and a meaningful risk analysis, as well as the effects that such a massive development will have on St. Helier.

I say this because the development of the Esplanade Quarter/Waterfront is about much more than securing tenants for a couple of office blocks and building them.

Having said that, I am reliably informed that the total office space contained in the Masterplan for the Esplanade Quarter will provide a working environment for up to 2,000 workers – is this an over-supply? Because I understand that there are a number of other proposed private sector office developments in various stages of planning and financing along the Esplanade.

The (new) Masterplan consists of a number of elements (or Phases) and it is now **estimated** that this will happen over a 20 year period: the previous estimate was 7 to 10 years, which was perhaps a bit ambitious.

### **Housing gain!**

One of the major “selling points” of the development of the reclaimed land that used to be known as “West of Albert” was the housing/residential gain, and a number of things were said –

- “The Masterplan provides for nearly 400 new apartments for local residents. New homes that will help meet Jersey’s ongoing housing needs and relieve pressure to open up Greenfield sites for development.”

So this raises a number of questions that require answers –

- Is this true?
- Are there still applications for Greenfield sites?
- Would any apartments built be affordable for Jersey residents or would they be marketed and sold to off-Island investors?
- If and when will they be built?

I say that because it could be about 15 years away, because the current proposal (Masterplan) is to build them after the road is “sunk”! Indeed, they are built where the road is now – so they may never be built!

Why haven't the States of Jersey Development Company (SoJDC) built housing on the old Jersey College for Girls site? They appear to be both unwilling to and incapable of doing so. There will be no shortage of tenants for this development.

### **Sinking the road**

The updated (from 2007) estimate for sinking the road is £54 million; if this is a further 10 years away, the inflated costs could be closer to £60 million.

In 2008, the States were told that we would receive at least £50 million from the development of the Esplanade Quarter, and that that there would be no cost to the Public purse; however, now we are told we are making “*an investment from the States of Jersey Currency Fund (£13 million)*”; and also that –

*“The investment from the Currency Fund is in effect bridging finance up and until the completion and sale of Building 4. This funding was required to assist with the delivery of a key piece of public infrastructure as one of the first phases. This is the only public investment envisaged to deliver the Esplanade Quarter Masterplan”.*

However, this may not be factually correct, because it is also said that –

*“On completion and sale of Buildings 2, 3, 5 and 6 the net receipts from these office buildings will be used to contribute the majority of the funding to lower La Route de la Libération which will be the start of Phase 2.*

*It is estimated that Phase 1 will generate in the order of £40 million in net receipts (based on today's values) together with an unencumbered underground 520 space public car park which has a value today of c. £10 million.*

*The estimated cost of lowering La Route de la Libération was £45 million in 2007 (£54 million indexed in today's values). It is therefore likely that additional funding will be required.”*

This, to me, clearly indicates a shortfall, and the States could once again be the provider of funding. A view has been expressed that is an unfair competitive advantage over private developers seeking private capital for development.

In order for the residential accommodation to be built –

- 6 office blocks, a total of 470,000 square feet (buildings 1 to 6 in the Masterplan) with underground parking have to be pre-let and built, which from now (as Phase 1), it is estimated will take 10 years to complete (SoJDC's estimate).
- It is envisaged that Phase 2 will then start with the sinking of La Route de la Libération, followed by buildings 7 to 13.

- Earlier estimates show that it will take around 2 years to sink the road.
- Buildings 7, 8, 9, 14 and part of 13 are dependent on sinking the road.

### **Previous States debate**

In Comments presented in relation to P.24/2011 “Esplanade Quarter: deferment of works” (lodged by the Deputy (now Connétable) of St. John), the Council of Ministers had this to say –

**“The Council also recognises that the underground road agreed as part of the Esplanade Quarter Masterplan is an important issue for Islanders. It therefore accepts paragraph (b) and wishes to re-assure States Members that any modification of La Route de la Libération will be brought to the States for approval as landowner before being commenced.”**

So this could still be a debate for another day; however, I believe that the current view of SoJDC should be shared with the States, not just the Minister for Treasury and Resources.

- So buildings 7 to 13 could be at least 12 years away from starting and may be a further 10 years away from completion – if at all?

### **So what are buildings 7 to 13?**

- **Office Development (Buildings 7 and 8):** office developments of 80,000 square feet, occupying 5 floors above unspecified ground floor use, no basement parking.
- **Residential development (Building 9):** this is on 8 floors: 7 for residential above unspecified ground floor use, no basement parking.
- **100 bed Hotel (Building 10):** ground floor + 6 hotel floors, no basement parking.
- **Office development (Building 11):** is primarily an office development of 70,000 square feet, occupying 4 floors above unspecified ground floor use, with basement parking.
- **Self-catering (Building 12):** this is on 6 floors, 5 for residential above unspecified ground floor use, no basement parking.
- **Residential development (Building 13):** this is estimated to deliver 300 apartments on 6 levels with retail/**restaurants** on the ground floor, set amongst winter gardens, with basement parking.
- **Residential development (Building 14):** this is on 9 floors, 8 for residential above unspecified ground floor use, no basement parking.

(It is envisaged that Buildings 9 and 14 will deliver 100 apartments with no basement parking.)

- **Buildings 7, 8, 9, 14 and part of 13 are dependent on sinking the road.**

Included in the above are areas of public realm, as well as some retail, restaurants, etc.

The land that is required for the above developments (Phase 2) consists of what's left of the Esplanade Quarter (after Phase 1), then developing over the sunken road (that is why some developments have no underground parking); and the area that is now Les Jardins de la Mer, and the area towards the Radisson Hotel.

So, as can be seen from the above, we are talking about a massive development over a significant area in a very prominent place over a considerable period of time – perhaps 20 years or more, with many unknowns in both timescale and cost.

The residential element may be 15 years away! – so much for much-needed affordable housing!

### **Hotel**

Will there be a taker for the 100 bed hotel on this site?

Recently, the Minister for Treasury and Resources said, in a response to a question from Deputy J.A.N. Le Fondré of St. Lawrence (4th February 2014).

“There may be transfer of land at zero cost but the company (SoJDC) has to reflect an appropriate valuation and value of that land and we have moved on massively from a world in which previously, for example, the Radisson Hotel what I think was zero return for the taxpayers.”

So this raises questions about what deal was done with the Radisson, what is a **zero return for the taxpayers** – the Minister for Treasury and Resources needs to expand on this.

Would a similar deal need to be done in future to attract an international hotel group?

I know from experience that no local hoteliers were interested in building and/or operating a hotel on the Waterfront: indeed, they expressed concern that the building of one could threaten their own viability.

So this begs the question – as part of this development – would another hotel be viable on this office/residential site, with no discernable locational advantages, save attracting business travellers who would presumably have stayed in existing hotels within walking distance. Any attraction for leisure visitors and the benefit to tourism is not obvious to me.

Has the view of the Jersey Hospitality Association been sought?

The Minister for Treasury and Resources, Senator P.F.C. Ozouf, has seen fit to issue a public statement in response to P.15/2014 saying that ‘no doubt’ my proposition is ‘well intentioned’ but that, should it go ahead, the resulting 3 week delay to the office development project, in which he himself passionately believes, would also ‘not [be] in the public interest’.

However, his comments are seriously lacking in facts about the entirety of the Esplanade Quarter and Waterfront Development.

However, what exactly is the “public interest”, and who and why can anybody make the claim to represent it? I believe States Members would always claim to have the public interest at the centre of their actions; however, it is open to interpretation!

- In 2008, in the Masterplan, when the proposals were “sold” to the States they were to be delivered by a developer (Harcourt).
- The States were told that we would receive over £50 million.
- There was no cost to the Public purse.
- The States were told that the scheme would be delivered in 7 to 10 years.

Now we are in a very different situation.

The Minister for Treasury and Resources, who undoubtedly wishes to place the interests of Islanders above his own, appears to misunderstand the purpose of my Proposition. A large number of ordinary Jersey people, rightly or wrongly, see the development of the Esplanade Quarter as a massive project. Those who took part in the great Masterplan 2008 consultation and debate are, of course, aware of many of the issues involved. Many, however, did not engage, including some of the present States members. Neither of these groups have ever had an independently validated, comprehensive or intelligible financial proposition put to them which showed the short, medium and long-term forecasts of the totality of the scheme.

Those present in 2008 were promised one by the then Senator T.A. Le Sueur (before any deal was signed – with Harcourt), but the independent report (which is believed to indicate a loss of £50 million) is still being withheld from the Public, although it would help in many ways: to act as a basis in constructing and evaluating the most recent (new) proposals; nothing of a similar nature has been in evidence since or is transparent today to support any ‘new’ plan. Such a plan would set out projections indicating and explaining the financial viability of the project weighed against any major risk factors and, in combination with the building proposals and timescale and other major implications, would enable the States Assembly and Islanders to obtain an informed opinion.

It should be noted that the ‘presentations’ like the recently issued Statement of the Minister for Treasury and Resources have represented unilateral lobbying outside the Assembly, and were not part of the official States agenda. The glossy ‘presentations’ given to invited States members are described in the ‘Statement’ as ‘keeping Members regularly informed’ and it should, in no way, be inferred from this that a complete picture (e.g. including financials) was presented or that such ‘presentation’ negated the need for a full debate in the States. It is interesting also to note that the Statement ends by offering briefings *outside the full Assembly* to States members, thus negating the need to make a comprehensive business plan to a full and perhaps more critical States Assembly.

It is interesting to note, in this connection, the Minister's Statement that the 'phased approach followed by SoJDC' is in line with its risk mitigation obligations. Whilst one is pleased to read this, nowhere is it explained what Plan B would be if demand for premium office space were to suddenly dry up, and one imagines that serious repercussions could result. Neither is it explained what the reasoning is behind diminishing risk mitigation by setting the first two buildings at opposite ends of the site; should there be difficulty in obtaining pre-lets for a third building (as may be the current situation with the second building), and the first two buildings were to be adjacent, all might not be lost – at least there would be a mini office centre.

A proper plan would also enable critical data to be compared with alternative assertions for validity purposes. For instance, it is known that leading local experts totally disagree as to what office space is available and required within St. Helier. They may well be wrong, but the assertions are just too great to ignore.

In conclusion, my strong belief that this is indeed a massive project in financial and logistical terms, and that the SoJDC have projections that they have shared with the Minister for Treasury and Resources, therefore these could easily be provided to States Members, with all the necessary information and explanations my Proposition requests; and this could be done in a written Report to make the case, on which Members can make an informed decision, instead of the present practice of doing so orally. I would suggest that this could be done so without undue delay if the Minister for Treasury and Resources wishes to act in the true public interest of the people.

I believe that we all need to understand all the aspects of, and issues relating to, this project and make proper informed decisions, based on best available evidence, even if a short delay is involved at this stage. The stakes are far too high.