

**MARITIME OFFICES, LA ROUTE DU PORT ELIZABETH,
ST. HELIER**

**Lodged au Greffe on 3rd March 1998
by the Planning and Environment Committee**



STATES OF JERSEY

STATES GREFFE

175

1998

P.37

Price code : C

PROPOSITION

THE STATES are asked to decide whether they are of opinion -

- (a) to approve, subject to the provisions of sub-paragraphs (b) to (e), the construction and fitting out of a new four-storey building of approximately 23,582 square feet gross (17,373 square feet net) for use as maritime offices at La Route du Port Elizabeth, St. Helier (as shown on drawing No. 1227/007), for occupation by the Customs, Immigration and Harbours Departments who will pay internal rental charges to the Planning and Environment Committee on the terms identified within the report of the Planning and Environment Committee dated 5th February 1998; and to authorise the Greffier of the States to sign the said drawing on behalf of the States;
- (b) subject to the provision of paragraphs (c) to (e), to authorise the Planning and Environment Committee to enter into such agreements with the Waterfront Enterprise Board Limited as are necessary for the procurement of the building;
- (c) to approve the granting of a lease ('the head lease') by the public to the Royal Bank of Scotland International Limited for a period of 125 years, of the area of land at La Route du Port Elizabeth, St. Helier as shown on drawing No. 1227/007, the exact area of land to be agreed between the Committee and the Royal Bank of Scotland International Limited and on terms set out in the report of the Planning and Environment Committee dated 5th February 1998;
- (d) to accept from the Royal Bank of Scotland International Limited, a sub-lease of the agreed area of land and building referred to in sub-paragraph (a) for a term of 125 years less one week subject to the annual payments set out in the Appendix to the report of the Planning and Environment Committee dated 5th February 1998;

- (e) to authorise a scheme whereby the public would be entitled to purchase the head lease from the Royal Bank of Scotland International Limited, such entitlement to be exercisable in 21 years after the completion of the development or in such circumstances as the Planning and Environment Committee decide is necessary in the public interest;
- (f) to authorise the Attorney General and the Greffier of the States to pass, and the Greffier of the States to sign, as appropriate, on behalf of the public, such contracts or agreement as may be necessary; and
- (g) to authorise the Treasurer of the States to receive the sum of £4 million from the Royal Bank of Scotland International Limited and to credit to a suspense account established for this purpose in the name of the Planning and Environment Committee under Articles 7 (1)(e) and 20(2), of the Public Finances (Administration) (Jersey) Law 1967, as amended, and to authorise that Committee to pay from that account the costs of development to its agent, the Waterfront Enterprise Board Limited.

PLANNING AND ENVIRONMENT COMMITTEE

NOTE: The Finance and Economics Committee supports this proposition on the basis that the rents to be paid by the three departments occupying the building will be equal to, or less than the commercial rents which those departments would be required to pay in the event that they were to occupy private sector leasehold accommodation of a similar standard in an identical location. The Committee wishes to emphasise that this form of leasehold financing arrangement will also secure the ownership of the building for the States at the end of the 21 year lease term at no extra cost.

REPORT

Introduction

At the request of the Policy and Resources Committee, the Property Services Department completed a comprehensive review of the States office accommodation in May 1994. The review comprised consultations with all departments and identified that a number required alternative or additional space, either because leases were due to expire or because existing accommodation was no longer suitable or large enough. Regular revision of the review has been undertaken to ensure that departmental changes are taken into account for the future provision of suitable office accommodation.

The review findings, which were originally reported to the Policy and Resources Committee on 28th June 1994, indicated the need to acquire or develop approximately 72,000 square feet of office space to meet the needs of 20 out of 33 departments which had a shortfall or were in leased space where leases come to full term before 2001.

Waterfront departments

It was identified in 1994 that there was a reasonable case for relocating the three 'Waterfront Departments' within six years as leases fell in (Customs and Excise), sites were required for development (Harbours) or temporary office space required replacement with more permanent accommodation (Immigration).

The current need for the three departments has been assessed in terms of net floor space as follows -

Customs and Excise	7,500 square feet
Harbours	4,000 square feet
Immigration	4,000 square feet
Expansion	<u>1,500</u> square feet
Total	<u>17,000</u> square feet

This is the net usable space requirement which could be provided in a building of approximately 24,000 square feet of gross internal space. A need for the parking of 33 department vehicles and seven visitor spaces close to the office accommodation is essential.

Policies

Subsequent to acceptance of the 1994 States Office Strategy, the Planning and Environment Committee (and the former Island Development Committee) gained Finance and Economics Committee and States' agreement to certain key policies -

- (a) wherever practical, States departments should be accommodated in freehold property in the public ownership;
- (b) private sector finance could be used to develop or redevelop buildings where viable schemes are achievable.

Tenure

The Customs and Excise Bureau des Impôts has been clearly identified as being in need of improved and larger accommodation in a more suitable location. The lease of the Airways House building terminates on 24th June 1999, when it is understood that the owners plan to redevelop the site. The Department has been responsible for a proportion of the cost of major repairs to the building of the last two years.

The Harbours Department is content with its current location but there are major layout problems and difficulties with any proposed refurbishment or enlargement. Space standards are below average at 95 square feet a person and running costs high. The Department needs to remain in the Waterfront area.

The Immigration Department is in convenient portakabin accommodation but recognises the need, following two relocations, to be in more permanent offices, but preferably in a Waterfront location.

Choice of site

There is no pressing operational need for the Departments to be in one building, but from a strategic point of view there are potential benefits in maintaining and operating one building, where facilities could be shared in certain circumstances. Two opportunities were considered -

- (a) procure a new building on a Waterfront site; or

- (b) provide accommodation in any office space which is eventually built on the Island site.

The timescales for the development of offices on the Island site are unfavourable. It was considered, however, that the benefits of developing the site, which until now has been occupied on a temporary basis by the Immigration Department's portakabins, were obvious in that it -

is available for immediate development;

allows completion within the required timescale;

is in a central, advantageous, harbour location;

is capable of allowing uncomplicated site construction;

can provide space for essential car parking close to the offices on site.

In April 1997, the Planning and Environment Committee agreed the recommendation for the procurement of a new 'maritime services' building on the Waterfront site suggested, using an alternative funding method similar to that which was agreed for Morier House, which would allow completion of the building before June 1999. The other Committees involved have all given their support for the proposal and the Waterfront Enterprise Board Limited agreed to procure a suitable building on the site.

Building requirement

The initial brief for the building, prepared by the Property Services Department was for well-designed, purpose built, quality, modern, air-conditioned offices with a high level of natural daylight. High efficiency in both artificial lighting, energy use and sound insulation are considered important. Access and facilities for the disabled must be provided throughout the building. Raised computer floors and demountable soundproof partitions would be expected to enable a degree of flexibility in layout. The building should be completed to a reasonable level of quality and include any fixed furniture and storage systems, but must be capable of construction at economic costs suitable for occupation by departments within current commercial rental levels.

Implementation

The Planning and Environment Committee has asked the Waterfront Enterprise Board Limited to procure the building on its behalf. The Waterfront Enterprise Board, with the agreement of the Finance and Economics Committee, has appointed a professional team, agreed an implementation plan and carried out a tender process for both funding from the private sector financial institutions and a 'design and build' building proposal from a selected shortlist of local contractors.

The Immigration Department's portakabins are in the process of being temporarily relocated on the Albert Quay to avoid any unnecessary delay once all approvals and agreements are in place.

The Waterfront Enterprise Board Limited has been advised throughout its tender process for private finance by the States Treasury, the Property Services Department, Price Waterhouse, Drivers Jonas financial services and the legal practice of Bailhache Labesse to advise and prepare the necessary legal agreements.

Tender documentation was issued to six local financial institutions. Three comprehensive responses were received which were evaluated on the following criteria -

- (a) compliance with the States Auditor's requirements;
- (b) minimum exposure to risk;
- (c) overall cost of facility to the States of Jersey
- (d) legal practicability
- (e) quality of tender.

Project tenders

Due to the timescale for completion of the building, it was agreed by the Planning and Environment Committee and Waterfront Enterprise Board Limited that a 'design and build' contract would be the most appropriate route for the project.

A building specification and brief of employers' requirements was issued to six local building contractors. Three comprehensive proposals were received.

These were assessed, following presentations by the respective contractors and their consultant design teams, by representatives and advisers of the Waterfront Enterprise Board, the Project Manager, the Planning and Environment Committee, Planning and Building Services Department and the Property Services Department and were evaluated for -

- (a) design;
- (b) compliance with employers' requirements and specification;
- (c) practicality;
- (d) cost;
- (e) value for money;
- (f) future maintenance and likely running costs;
- (g) programme and contract periods;
- (h) performance bond, guarantees, insurances and collateral warranty requirements.

The selection panel was unanimous in its choice of the proposed scheme put forward by Stansell QVC Limited which in the opinion of the panel, best met the majority of the criteria. The Stansell QVC Limited proposal is for a building of modern design, with four storeys providing 17,373 square feet net office space, storage, plant and surface level car parking for 40 cars, together with landscaping. The design provides flexibility of layout, full access and facilities for the disabled, a realistic air-conditioning solution and provides well lit, usable office space with accessible central core facilities. The materials proposed offer low maintenance costs and acceptable quality. The building as proposed appears to offer good value for money and is of pleasing design. The contract period proposed is sufficient to enable the building to be completed by June 1999.

The project budget of £4 million is recommended which includes the contract price, fitting-out, preliminary costs, professional fees and contingency provision sufficient for the project.

The proposed arrangement

The Committee now seeks the States' specific authority to enter into a leasehold financing arrangement with the Royal Bank of Scotland International Limited (hereinafter referred to as RBSI) relating to the funding of £4 million. The principal features of this arrangement will be as follows, subject to the States' approval. The details shown simplify the complex legal arrangements recommended -

(a) Head lease and development agreements

The States will grant a lease of the property to RBSI for the term of 125 years at a peppercorn rent with an obligation by RBSI to construct the buildings.

RBSI will appoint the Committee as its agent, and the Committee will appoint WEB as its sub-agent to carry out the development. All decisions relating to the development and construction of the buildings will vest in the Committee and the States under this agreement. The building costs will be provided by RBSI by way of staged drawdowns over the construction period.

(b) Sub-lease and deposit

RBSI will grant a sub-lease of the property and the buildings to the Committee for 125 years less one week. The initial 21 annual payments of rent will be fixed immediately prior to the passing of the sub-lease before the Royal Court and the anticipated amounts of such annual payments, based on a capital cost of £4 million, are set out in the attached Appendix.

The rent will be paid annually in advance and it is anticipated that the first payment will commence on 1st January 2000, the annual rent increases every three years equating to 2.5 per cent a year.

In addition to the annual rental the Committee will make 21 annual payments to RBSI by way of deposit. The exact annual amounts of deposit will be fixed at the same time as the rentals mentioned above. The anticipated annual amounts are also set out in the attached Appendix. Although the deposit will remain in the ownership of the

States, a security interest will be created over the deposit in favour of RBSI to secure payment of the rent and all other obligations under the sub-lease.

The purpose of the deposit is to provide sufficient funds at the end of the 21 year period to enable the Committee to exercise the option to purchase referred to in paragraph (c) the intent being that the States will then own the freehold in the new buildings.

(c) Option to purchase

RBSI will grant an option to the Committee to acquire the head lease for a capital sum at the end of year 21. Such capital sum will be an amount equal to the accumulated sums in the deposit account together with all accrued interest. Accordingly, no further payment will be required by the States at that time.

The Committee will also be granted the option to acquire the head lease before the expiration of 21 years. However, in such event, the then accumulated sums in the deposit account may not be sufficient and the States may be required to make an additional payment.

(d) Law

All leases and other agreements will be subject to Jersey Law.

(e) Internal rentals

The initial proposed rental to be charged to departments by the Committee from 1st January 2000 will equate to £18.00 a square foot exclusive of any service charge to cover the cost of running and maintaining the building. The total internal rents will be sufficient to recover the annual payments of rent and deposit to RBSI. The departments occupying the building will pay rent to the Committee which will make the annual payments required to RBSI.

These figures will be subject to review every three years to ensure in total they match the schedule of fixed

payments to RBSI over the 21 year period. An annual increase of approximately 2.5 per cent will be applied every three years, with the possibility of an open market review at intervals. This will ensure that these rentals do not fall out of step with the market.

The departments who will occupy the building have been notified of these arrangements and the Committees concerned will be advised of their commitment when the final floor areas to be occupied by these departments have been finalised.

The Committee has been advised that the initial rental, set at £18.00 a square foot, compares very favourably with commercial rentals for building of this type in this location.

- (f) The Planning and Environment Committee will enter into an agreement with WEB to procure this development on its behalf for the sum of £4 million on the basis that it is completed to specification by June 1999. The amounts drawn by the Planning and Environment Committee under the funding agreement with RBSI will be paid direct to WEB Limited as they are received.

Summary

On the anticipated figures in the Appendix, over the lifetime of this arrangement a total of £7,965,003 will be paid which represents an effective cost to the States of approximately 6.62 per cent. It is felt that fixed over 21 years this is an extremely favourable long-term arrangement. It is highly competitive, and the agreement with RBSI is recommended to the States.

5th February 1998.

APPENDIX

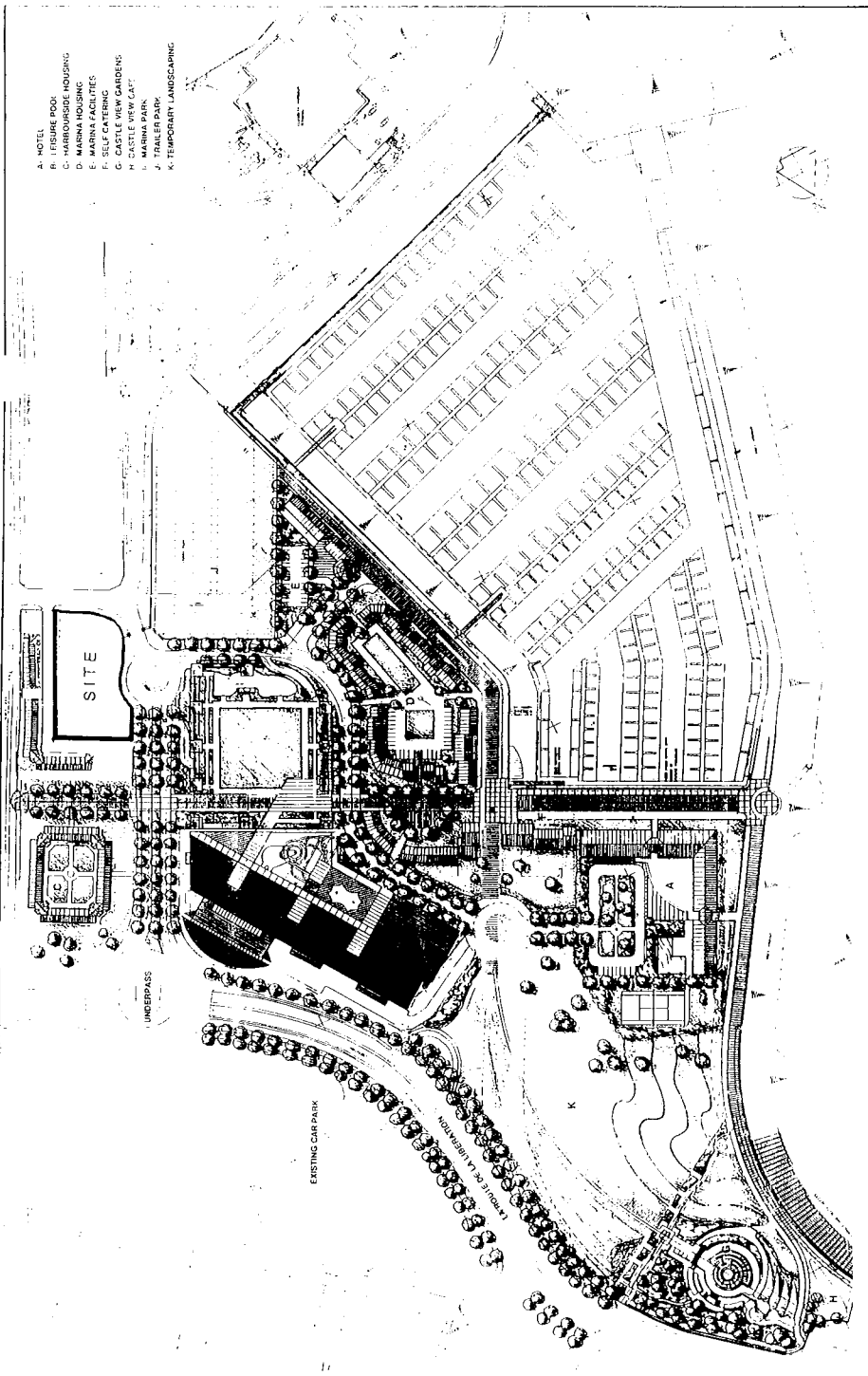
SCHEDULE OF REPAYMENTS

Analysis of repayments

	Payment date	Rent	Deposit	Total payment
		£	£	£
1	1st January 2000	175,474	124,957	300,431
2	1st January 2001	175,474	124,957	300,431
3	1st January 2002	175,474	124,957	300,431
4	1st January 2003	188,967	134,565	323,532
5	1st January 2004	188,967	134,565	323,532
6	1st January 2005	188,967	134,565	323,532
7	1st January 2006	203,497	144,912	348,409
8	1st January 2007	203,497	144,912	348,409
9	1st January 2008	203,497	144,912	348,409
10	1st January 2009	219,144	156,054	375,198
11	1st January 2010	219,144	156,054	375,198
12	1st January 2011	219,144	156,054	375,198
13	1st January 2012	235,994	168,053	404,047
14	1st January 2013	235,994	168,053	404,047
15	1st January 2014	235,994	168,053	404,047
16	1st January 2015	254,139	180,975	435,114
17	1st January 2016	254,139	180,975	435,114
18	1st January 2017	254,139	180,975	435,114
19	1st January 2018	273,680	194,890	468,570
20	1st January 2019	273,680	194,890	468,570
21	1st January 2029	273,680	194,890	468,570
			Total payments	7,965,903

This schedule is based on a capital cost of £4 million on current rates and will be revised to the exact rate prevailing on the date the agreements is signed.

- A. HOTEL
- B. FIGURE POOL
- C. MARBOURSIDE HOUSING
- D. MARINA HOUSING
- E. MARINA FACILITIES
- F. CASTLE VIEW GARDENS
- G. CASTLE VIEW GARDENS
- H. CASTLE VIEW CAT.
- I. MARINA PARK
- J. TRAILER PARK
- K. TEMPORARY LANDSCAPING



**ST-HELIER WATERFRONT - WEST OF ALBERT PIER
MASTER PLAN**

Scale	Date	Dwg No.
1/1000	Mars 1987	1227 / OST



CORRIGENDUM

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**MARITIME OFFICES, LA ROUTE DU
PORT ELIZABETH, ST. HELIER**

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The last date in the first column should read “1st
January 2020” and the penultimate word on that
page should be “are” not “is”.