

STATES OF JERSEY

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WATERFRONT LEISURE COMPLEX: SALE OF HEAD LEASE

**Lodged au Greffe on 25th November 2003
by the Finance and Economics Committee**

STATES GREFFE

PROPOSITION

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

- (a) to agree that they do not wish to exercise their right under the terms of the Overage Agreement with CTP (Jersey) Limited to negotiate with the Company with a view to agreeing terms for the purchase of the Company's leasehold interest in the St Helier Waterfront Leisure Complex development; and
- (b) to request the Greffier of the States to inform the Company of the decision.

FINANCE AND ECONOMICS COMMITTEE

REPORT

1. Background

- 1.1 The construction of the leisure complex on land West of Albert is being undertaken by CTP (Jersey) Limited ('the Developer') under the terms of a development agreement dated 14th September 2001.
- 1.2 The development agreement provides the terms and conditions for the construction of certain premises. To facilitate this process, the Public of Jersey has let the site to the Developer for a period of 150 years for a cash premium of £620,000 and an annual payment of £93,000.
- 1.3 As is normal in such transactions, the Developer intends to sell on the completed development to the investment market.
- 1.4 The Developer's profit on sale of this leasehold interest is limited by the terms of an Overage Agreement with the Public of the Island. Any profit above the determined limit will belong totally to the Public.

2. Proposal to sell

- 2.1 The Overage Agreement contains the following clauses which enable the Public of the Island ('Owner') to purchase the Developer's leasehold interest –

“5.10.1 Upon forming the intention to Sell and before entering into any negotiation for a Sale with a third party the Developer will first permit to the Owner the exclusive opportunity to negotiate with the Developer with a view to agreeing terms for a Sale acceptable to the Owner and the Developer.

In the event that such terms have not been agreed before the expiration of one month from the date of notice to the Owner of the Developer's intention to Sell the Developer shall be free to negotiate with third parties for the Sale but will continue to negotiate non exclusively with the Owner if the Owner wishes to seek to agree terms for a Sale.”

- 2.2 The Waterfront Enterprise Board (WEB) received formal notice of the Developer's intention to sell by letter on 29th November 2002; the letter being forwarded to the Treasury under covering letter from WEB dated 3rd December 2002.
- 2.3 As notification was received at a time when States Committees were being dissolved and reformed, it was not possible to prepare, lodge and discuss a proposition in the States in the month following receipt of the WEB letter of 3rd December 2002 to determine whether the option for exclusive negotiation was to be exercised.
- 2.4 The Overage Agreement provides the Public of the Island with the opportunity to negotiate the purchase of the Developer's leasehold interest in a non-exclusive capacity after this one-month period.
- 2.5 In the event, the Developer informed WEB that its Board had decided not to offer the scheme for sale at that time. This decision was confirmed in a letter to WEB dated 7th April 2003.
- 2.6 The Developer has now indicated its intention to remarket the scheme and the States are asked to consider whether they wish to purchase the Developer's leasehold interest.
- 2.7 The Finance and Economics Committee has considered this investment opportunity for the States and does not recommend that the Public enter into negotiations to purchase the Developer's leasehold interest.
- 2.8 The holding of Jersey-based commercial property for strategic investment purposes is not in line with States investment policy.
- 2.9 There is no current or future budget provision for the cost of such purchase within the States forward

financial forecast.

3. Conclusion

- 3.1 It was never envisaged that the States would step into the role of landlord of the commercial interests within the Waterfront Leisure Development.
- 3.2 The Finance and Economics Committee strongly recommends that the Public does not enter into negotiations with the Developer to purchase the Developer's leasehold interest in the Waterfront Leisure Complex Development.

4. Financial and Manpower Implications

- 4.1 This proposition has no implications for the financial or manpower resources of the States.
- 4.2 Should the States wish the Public to enter into negotiations, significant funding would be required to purchase the Developer's leasehold interest, for which there is no identified budget.