

STATES OF JERSEY

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LA COLLETTE FUEL FARM, ST. HELIER: LEASE TO SHELL U.K. LIMITED AND ESSO PETROLEUM COMPANY LIMITED

Lodged au Greffe on 13th May 2003
by the Harbours and Airport Committee

STATES GREFFE

PROPOSITION

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

- (a) to approve the leasing to Shell (U.K.) Limited and Esso Petroleum Company Limited of land designated as letting number LC3 at La Collette, St. Helier, shown on drawing No. 648/1 providing –
 - (i) a total developed area, including car parking to the front of the site, of 195,195 square feet
 - (ii) a net developed area, having deducted an area to maintain storage capacity for strategic purposes, of 169,059 square feet;
 - (iii) an area of 24,000 square feet to provide for a safety zone and future expansion;
 - (iv) for the entire demise to continue in its present use for the purposes of the storage of fuel oils and associated products supplied from the oil pipelines connected to the tanker berth; for a period of 20 years with effect from 1st February 1998 at an annual rent of £188,605, representing a rate of £1.10 a square foot for the developed land and a rate of 10 per cent thereof for the expansion area, with rent reviews against open market rental value each 5 years commencing on 1st February 2003, and with the lessee having the option to terminate at the end of the 7th and 14th years of the lease, subject to one year's prior notice in writing; with the lessee to be responsible for the lessor's legal fees in connection with the transaction;
- (b) to agree that the Public of the Island will be entitled to retake possession of the land if it is considered to be in the public interest, in which event fair and proper compensation will be paid to the lessee, assessed in accordance with the Compulsory Purchase of Land (Procedure) (Jersey) Law 1961, as amended;
- (c) to authorise the Attorney General and the Greffier of the States to pass the necessary contracts on behalf of the Public;
- (d) to authorise the Treasurer of the States to receive the rent as it becomes due.

HARBOURS AND AIRPORT COMMITTEE

- Notes: 1. The Finance and Economics Committee supports the proposition in respect of the direct financial implications of the lease and the resulting return to the States.
2. The Economic Development Committee's comments are to follow.

REPORT

The negotiations on the final rent review, due 1st February 1998, under the then current lease, expanded to consider the pending termination of the lease and it was thus agreed to negotiate in addition a surrender of the lease and to grant a new 20-year lease with up-to-date terms and conditions for the operation of a fuel storage area. However, complications arose from preliminary proposals for the Waterfront Development by way of the possibility of domestic buildings being developed within the new reclamation area (La Collette Phase II) which would be incompatible with the storage of fuel oils. Thus, the possibility of relocating the Island's fuel storage to a position south of the fuel berth was considered.

A second complication came about in regard to the increasing administrative controls and penalties concerning land contaminated by industrial use. This was a particular problem in view of the fact that the Fuel Farm was already in existence and that the reclamation site itself may contain contaminants prior to the occupation by the Fuel Farm.

Further delay was as a result of commissioning of a study by OXERA on local retail fuel prices, which required a one-year extension of the lease until 13th December 2001, as the original lease of land at La Collette, which had commenced on 14th December 1979, terminated on 13th December 2000. Again however, due to a lack of resolution, the date of termination was passed and thus the fuel companies remained in occupation on the basis of a tacit re-conduction (implied re-letting on generally the same terms and conditions) pending the proposed new lease now before the States.

The Proposition was lodged in the States in 2002, but whilst the Finance and Economics Committee supported the lease it was with the rider that this was subject to comments of the then Industries Committee. The Industries Committee responded by raising 3 areas of concern. The Proposition was thus withdrawn in June 2002. These areas of concern have been addressed by the now Economic Development Committee and the Proposition is supported by its Act dated 9th April 2003.

The current annual rental is £134,630.88 and is based on a rate for the developed area of 0.82 per square foot and a rate of 10 per cent of this for the expansion (undeveloped) area. A side agreement allowing Jersey Harbours to use the expansion area means that the rental for the expansion area is currently not chargeable. The rent under the previous lease was subject to annual review against the market every 5 years with the area of land in question measuring 164,184 square feet and the expansion area measuring 30,603 square feet.

An area of the previous lease in the north-east corner is to be surrendered in the proposed new lease in order to provide the access road to the new reclamation area, La Collette II. In addition, the "expansion" area will continue in occupation by Jersey Harbours by the waiving of the 10 per cent rental for this area. The lessee may reclaim this land upon giving proper notice.

The heads of terms for the proposed lease before the States are –

LESSOR The Public of the Island of Jersey.

LESSEE Shell (U.K.) Limited and Esso Petroleum Company Limited.

DEMISED AREA The demised area shall include those areas shown on the attached plan drawing No. 648/1, providing a total developed area including car parking to the front of the site of 195,195 square feet and a new developed area, deducting an area of 0.6 acres in order to maintain storage capacity for strategic purposes of 169,059 square feet. In addition, there is an expansion area of 24,000 square feet, which shall include the previous safety zone but less an area to be retained by the Public for the purposes of constructing a new access road to La Collette Phase II.

LEASE TERM A new 20-year lease to be granted which will be backdated from

1st February 1998, to take account of the rent review which was due on the same date, with an option for the lessee to break the lease at the end of the 7th and 14th years of the term.

COMMENCING RENTAL The commencing rental as from 1st February 1998 is to be £188,605 a year, which equates to £1.10 per square foot for the developed area and a rate of 10 per cent thereof for the expansion area payable quarterly in advance.

RENT REVIEWS The rental shall be reviewed on 1st February 2003 and 5-yearly thereafter, to an amount agreed to represent the open market rental value. This is subject to the same discount arrangements continuing for the expansion area whilst undeveloped.

Should the expansion land be developed, then the rent for this area of land which will have been incorporated into the developed area shall be increased to the prevailing rate per square foot that is being paid for the developed land.

REPAIR LIABILITIES The lessee is to put and keep the demised premises in good and substantial condition and is subject to stringent obligations in respect of contamination including the obligation to clean up the site to an appropriate standard at the end or sooner determination of the lease (unless the lease is terminated by the lessor under the 'emergency' or 'public interest' provision). The clean-up obligations will include the removal of the lessee's fixtures and fittings unless these are purchased by the States as provided by the lease.

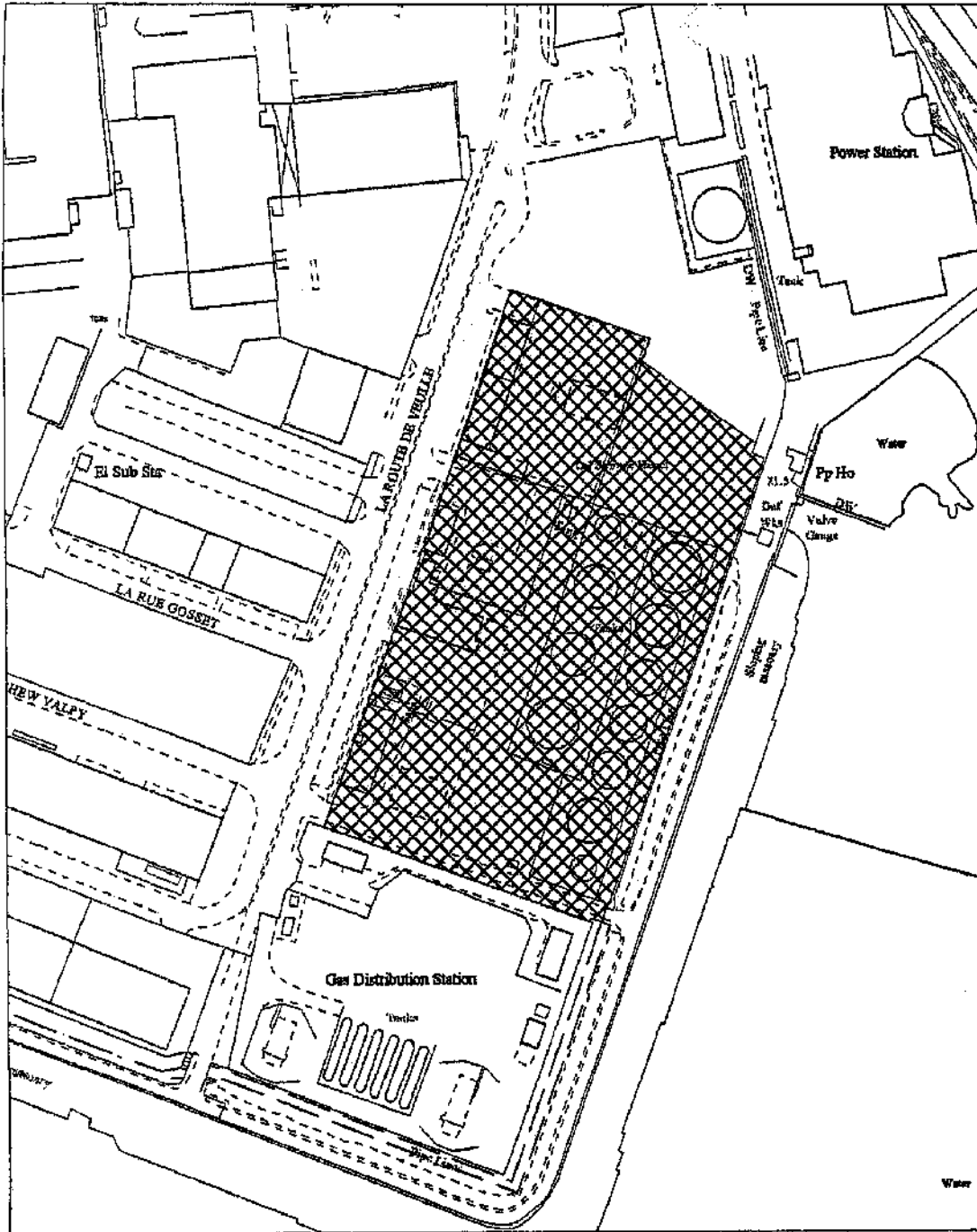
PUBLIC INTEREST The Public are to retain the right to retake possession of the land in the public interest. If this was to happen, fair and proper compensation would be assessed in accordance with the provisions of the Compulsory Purchase of Land (Procedure) (Jersey) Law 1961, as amended. The lessee is obliged to comply with all Laws and Regulations, including those which may be brought about in connection with the Jersey Competition Regulatory Authority.

LEGAL COSTS The lessee is to be responsible for the lessor's legal fees in preparing the new lease documentation.

EXPANSION LAND – OCCUPATION The lessor currently occupies pursuant to a side agreement the expansion land. In return, the rental for this area of land is foregone for the period of the lessor's occupation of it. Should the lessee require the land back, it may take it back if agreed notice is given to the lessor.

Jersey Harbours, its solicitors and the Property Services Department have been involved in lengthy negotiations concerning this lease, and the Committee recommends to the States that the lease should be agreed to assist in securing the Island's fuel and oil supplies.

The financial implications are set out above and there are no implications for the manpower resources of the States.



Shell UK / Esso Petroleum Ltd, La Collette

Boundary Information Supplied by the States of Jersey Planning Office, but no responsibility can be accepted for error.

Drawing No: 648/1



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