

**ST. HELIER WATERFRONT: LEASE AND SALE OF LAND TO WATERFRONT ENTERPRISE BOARD
LIMITED**

**Lodged au Greffe on 26th March 2002
by the Policy and Resources Committee**



STATES OF JERSEY

STATES GREFFE

150

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PROPOSITION

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

to refer to their Act dated 12th December 1995 in which they approved the establishment of the Waterfront Enterprise Board Limited as a separate legal entity and agreed to the transfer of administration to the Waterfront Enterprise Board Limited of certain areas of land on the St. Helier Waterfront; and to their Act dated 18th March 1997 in which they agreed to increase the company's share capital to £20 million with arrangements for repayment of that capital by way of an annual sinking fund and contributions from capital receipts, and -

- (i) to approve the leasing by the public to the Waterfront Enterprise Board Limited of the six areas of land shown outlined in red on drawing No. 1 (Disposal Plan), excluding the areas coloured green, for a period of 150 years, at an annual rental of £1 payable in a lump sum on the passing of the contract, with the land to be used for the purposes agreed with the Planning and Environment Committee and otherwise on such terms and conditions as may be agreed between the Board and the Finance and Economics Committee;
- (ii) to agree that the Waterfront Enterprise Board should be permitted to sub-let or hypothecate the land or assign the lease of the land referred to in (i) above, on terms to be approved by the Finance and Economics Committee, and with the land to be used for the purposes agreed with the Planning and Environment Committee;
- (iii) to approve the sale by the public to the Waterfront Enterprise Board Limited of the parcels of land shown coloured in green on drawing No. 1 (Disposal Plan) being areas of land to be used, as agreed with the Planning and Environment Committee, predominantly for the construction of residential accommodation for the sum of £10 for each parcel and otherwise on such terms and conditions as may be agreed between the Board and the Finance and Economics Committee;
- (iv) to agree that the Waterfront Enterprise Board Limited should be permitted to retain any capital receipts from the sale, leasing or sub-leasing of any of the areas of land referred to in paragraph (iii) above and the sub-leasing, assignment or hypothecation of the lease or any part thereof referred to in paragraph (i) above for the purpose of funding further infrastructure work in order to complete the St. Helier Waterfront development as agreed with the Planning and Environment Committee, and, thereafter to allocate any surplus receipts to the sinking fund established by the Finance and Economics Committee to meet the cost of the company's share capital;
- (v) to agree that the Waterfront Enterprise Board Limited should be responsible for all reasonable legal fees of both parties arising out of the transactions referred to in paragraphs (i) and (iii) above;
- (vi) to authorise the Greffier of the States to sign the said drawing on behalf of the States; and
- (vii) to authorise the Attorney General and the Greffier of the States to pass the necessary contracts on behalf of the public.

POLICY AND RESOURCES COMMITTEE

- Notes:
1. The Finance and Economics Committee's comments are to follow.
 2. The Planning and Environment Committee's comments are to follow.
 3. The Housing Committee supports this proposition.

REPORT

Introduction

The Waterfront Enterprise Board has sufficient funds to meet its current commitments but it has no funds to meet the costs of the works envisaged in the agreed plan that emerged from the Planning and Environment Committee's public consultation process, Waterfront 2000. It is now clear that these projects cannot be funded from traditional sources. The Board understands the States' position in respect of its Capital fund and has suggested an alternative method of funding this vital work by the utilisation of the value of the assets that the Board has already created on the Waterfront. In turn the value of these assets is dependent upon maintaining momentum and completing the work already begun. The Policy and Resources Committee has considered this issue carefully, in consultation with the Board and has concluded that the Board's proposed alternative method of funding provides the best way forward to maintain momentum on the Waterfront.

Background

The Waterfront Enterprise Board was established by Act of the States dated 30th March 1993 and by Act of the States dated 9th November 1993 (P.160/93) was "given full responsibility for the co-ordination and promotion of development in the St. Helier Waterfront Area" which was defined as lying between West Park and Le Dicq at Havre des Pas.

The Waterfront Enterprise Board Limited was established by Act of the States dated 12th December 1995 at which time the Memorandum and Articles of Association for this separate legal entity were also approved (P.156/95). The Company was incorporated on 21st February 1996. On 18th March 1997 the States agreed to increase the Board's share capital to £20 million (P.40/97). At that time the Policy and Resources Committee and the Finance and Economics Committee agreed "that each year the capital programme to be recommended to the States should include an allocation of up to £2 million from the Capital fund to the sinking fund for Waterfront projects". It was further agreed that any capital receipts from the disposal of sites should be paid into the sinking fund so that, when development of the whole Waterfront is completed "the States' £20 million share capital investment will be matched by the sinking fund balance comprising capital receipts and the annual allocations from the Capital fund".

Last year, after extensive public consultation, the Planning and Environment Committee, in partnership with the Board, issued an agreed Master Plan for the St. Helier Waterfront that illustrates the proposed land uses (Drawing No. 2- Land Use Plan).

On the West of Albert the bulk of the infrastructure has already been completed and a number of the Waterfront projects planned for that area are now complete or underway. In the light of the suspension of the Hotel development it is more vital than ever that this momentum is maintained for if it stalls then the confidence of investors will be lost and the considerable public sector investment in the Waterfront would be at risk. Furthermore, in promoting the Waterfront, the States and the Board too, have implied that developments shown on the Master Plan will happen and that both will do all in their power to ensure that this happens. Private investors have already invested in the Waterfront in good faith. The States have a duty, therefore, in the Committee's view, to act to secure the completion of the Waterfront as envisaged.

There is, moreover, clear evidence from experience elsewhere that when regeneration schemes stall the whole area rapidly deteriorates. Individual sites fall to secondary uses or, worse still, slip into a downward spiral of vandalism and neglect. In turn this decay reduces or completely destroys the value of the assets that have already been created through the expenditure of public funds. This must not be allowed to happen to the St. Helier Waterfront. Funding arrangements therefore need to be put in place now in order to secure the future of the Waterfront.

Public funding

Public funding provided or committed to date falls into three distinct categories -

1. **Pump priming funds (£23 million)** to meet the cost of early infrastructure such as roads, sewers, lighting, electricity, promenades, car parking and landscaping;
2. **Funds for specific projects (£4 million)** to meet States needs such as States Offices (Maritime House) and Marina facilities;
3. **Tourism Investment Funds (£12 million)** for special projects to help the Tourism Industry such as Havre des Pas Bathing Pool, La Fregate and the Leisure Pool).

Asset valuation

The pump priming funds (£23 million) have created fully serviced sites primarily for residential use with a site value of £28 million.

The funds allocated for specific (£4 million) and tourism related projects (£12 million) have either been fully spent or are committed on those projects, which also have the benefit of 'free' fully serviced sites. It is estimated that the value of these projects and the value of the 'free' sites together amount to £29 million.

A further £5.5 million will be generated from other committed projects such as the Waterfront Hotel, the Leisure Complex and Harbour Reach (a mixed residential and marina related development adjacent to the Elizabeth marina).

Future projects on the Esplanade, Island site and Weighbridge will comprise a mixture of residential and commercial properties generating site values of around £13 million. However, this sum excludes the value of those sites allocated for the transportation centre within the Island Site, comprising the former abattoir buildings, the triangular area of land to the south west of the abattoir buildings ("the Annexe Site"), and the roadway belonging to the Parish of St. Helier that lies between them and that is coloured brown on Drawing No. 1, the public events space on the redeveloped Weighbridge, the proposed school on the Esplanade site and the police headquarters building on the Annex site. Together these four schemes cover half of the area under consideration and the Committee is proceeding on the basis that, as with other Waterfront sites used for public purposes, these sites will be made available for public purposes without any charge to the capital budgets of the relevant committees.

It is important to note that the Waterfront is also creating economic benefits (marina, hotel, leisure, etc.) as well as social (Albert Pier Housing) and aesthetic benefits (Havre des Pas Bathing Pool) for the Island in general and for St. Helier in particular.

Future capital requirements

The public consultation process carried out last year by the Planning and Environment Committee (Waterfront 2000) resulted in an agreed revision of the Waterfront Master Plan. This agreement is of great significance. It means that, by and large, both the Board and the Planning and Environment Committee are of a like mind as to the future development of the Island Site, Weighbridge and Esplanade Car Park. These are areas that have been held in abeyance for years pending resolution of conflicting views and opinions.

Public funding requirements for these newly released areas fall into two categories:

- pump priming funds;
- funds for specific projects.

Pump priming funds

The development of the Esplanade Car Park site, the Island site and the Weighbridge will create further financial, economic and social benefits for the States. However, to attain these benefits the Board will first have to fund the cost of the necessary infrastructure. Estimating these costs is difficult because of the complexity of the projects, the long time period for development and the lack of detailed briefs. Nevertheless, an estimate of £23 million has been made and this estimate assumes that all the work will be paid for and carried out by the Board. In practice this expenditure could be less as some of this work might be procured through planning gain or public/private sector partnerships. In reality, however, additional costs borne by the private sector will be reflected in lower receipts for the land. Examples of these works include the essential pedestrian footbridge which will link the Waterfront to the Town, public squares and parks, replacement of the Esplanade car park, service diversions, promenades, street furniture, decontamination etc.

Funding for specific projects

Within the Master Plan there are four specific projects that have been requested by other States' Committees. Two of these, the Transportation Centre within the Island Site and the landscaping and improvement of the Weighbridge area, will require to be funded either wholly from the public purse or from a mixture of private/public sector funding. The remaining two, the new Police Headquarters on the Annex Site and the new primary school on the Esplanade site, will in due course require to be funded from the States' Capital fund.

The 'icon' buildings within the western part of the Master Plan will require to be funded by private or public subscription. The funding of these icon buildings has, for the moment, been excluded from consideration.

The commercial and residential developments proposed for the Esplanade site have minimal impact on the public purse and are a requirement only in that they will pay for the infrastructure necessary to secure the other public sector schemes.

Funding proposal

The Board has sufficient funds to meet its commitments but it has no funds to meet the cost of the works envisaged in Waterfront 2000. Furthermore it is now clear that Waterfront projects cannot easily be funded from the Capital fund and hence the need for an alternative method of funding.

The Board wishes to be permitted to make use of the value locked up in the assets that have been created. In order to unlock the value of the Waterfront assets the Board would have to be allowed to retain receipts from disposals, whether these are by way of sale or lease, and where necessary and appropriate to borrow on the value of unrealised assets in order to meet future infrastructure and project costs. In agreeing the Board's Memorandum and Association of Articles in 1995, it should be noted that the States specifically gave the Board powers to borrow.

While the retention of receipts and the exercise of borrowing powers do not necessarily need the Board to have an interest in land, the Board's advice to the Committee is that such an interest vested in the Board would greatly simplify its dealings with the private sector. Partnership arrangements for the Leisure Complex were significantly complicated because the Board had no interest in the land.

Recommendations

The Committee therefore recommends that the States approve the lease to the Board of the six parcels of land shown outlined red on Drawing No. 1, excluding the areas coloured green. It is recommended that the lease be for a period of 150 years at a nominal rent and for the purpose of implementing the Waterfront Master Plan as agreed or amended from time to time by the Planning and Environment Committee. It is important that the Board be allowed to assign or sub-let its interest in the land and to offer it up as security for raising finance. That finance will in turn be used to maintain momentum and secure these additional values described in this report.

On 27th June 1999 the States agreed that the developers of the Leisure Complex, CTP (Jersey) Ltd., will provide an annual subsidy to assist the operational costs of the Pool (P.92/99). With the agreement of CTP (Jersey) Ltd., it is recommended that the land leased to CTP (Jersey) Ltd. be included in the proposed lease to the Board in order that the Board can monitor this financial agreement.

The Finance and Economics Committee should be authorised to agree the detailed terms of the lease with the Board. Because the Board is wholly-owned by the States, such an arrangement would be the equivalent of the States leasing to itself. Furthermore, a lease would enable the States to retain ownership and give the States a further degree of control in addition to the extensive controls it already has through the Board's Memorandum and Articles of Association. Crucially, however, the lease would permit the land assets demised for the purpose to be used by the Board as security for finance raised. In this way the financial, social, aesthetic and economic benefits of the Waterfront will be achieved more easily, more fully and much sooner. Without this lease there must be residual doubt that the value of current assets could be sustained, and it is the Board's view that the value of future assets would then be unlikely to be realised.

Those areas coloured green on Drawing No. 1 are designated for residential use. While there are a few examples of apartments being sold by way of a long lease, this is a form of residential tenure that is relatively rare in Jersey. On occasions, where the States wish to retain an interest in the building, such as in the case of Harbour Reach, long leasehold sales of apartments may be unavoidable. However, the tradition in Jersey is for freehold sales or, more recently, the sale of flying freeholds. Both the Policy and Resources Committee and the Finance and Economics Committee are of the view that the Waterfront Enterprise Board Limited should follow the traditional practice of freehold or flying freehold sales in respect of the housing on the Waterfront. It is recommended therefore that, where the development, as agreed with the Planning and Environment Committee, is predominantly for residential purposes, then the States should convey these areas of land to the Board for onward sale to the purchasers of these homes.

These proposals will provide the robust mechanism by which the Waterfront Enterprise Board Ltd. can develop the areas in question and can unlock the very high potential value of the sites for the States. They will enable provision of the long awaited boost to tourism, the planned for additional housing units and the many other important infrastructure projects outlined in the development plans agreed with the Planning and Environment Committee. These proposals have the ability to move the waterfront developments forward as never before and the Committee therefore commends them strongly to the States.

Financial and manpower implications

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

