

STATES OF JERSEY



ESPLANADE QUARTER: DEFERMENT OF WORKS AND ENDORSEMENT OF DEVELOPMENT AGREEMENT (P.136/2010) – COMMENTS

Presented to the States on 2nd November 2010
by the Council of Ministers

STATES GREFFE

COMMENTS

Part (a)

The Deputy of St. John asks the States to agree that the proposed sinking of La Route de la Libération should be deferred until there is a significant improvement in the Island's economic situation. The Council of Ministers wishes to restate that the development of the Esplanade Quarter will only commence once there is a clear indication of demand and confidence in the local economy by major financial institutions in advance of any construction.

The Board of WEB is proposing to develop the Esplanade Quarter in phases; and the first phase of the Esplanade Quarter will not involve the sinking of La Route de la Libération. The first phase will comprise new office accommodation which will provide the Island's finance industry with modern, flexible, efficient and environmentally-friendly office space which can provide operating cost-efficiencies and allow for future growth.

The sinking of the road will be undertaken in subsequent phases, but only once Phase 1 has been completed and sufficient equity has been generated from the first phase to cover the construction costs of lowering the road. Accordingly, the sinking of the road is not reliant on States funding and will only commence once demand and confidence in the local economy has been substantiated by the private sector.

The Chief Minister has discussed its position with the Board of WEB, and they have reiterated that the development of the Esplanade Quarter will be undertaken in phases and they are committed to the Memorandum of Understanding enshrined in P.73/2010, recently adopted by the States, which confirms (*inter alia*) that –

“Where a specific development is undertaken directly, before committing to construction costs, the SoJDC will have to secure a sufficient level of legally binding pre-lets to fund the costs of constructing the first phase of a scheme.”.

Phase 1 of the Esplanade Quarter will therefore only proceed once legally binding pre-let and pre-sale agreements are in place in respect of the development of office space. The pre-lets will therefore be a clear indication of confidence in the local economy by major financial institutions. The subsequent sinking of La Route de la Libération will, in turn, be dependent on the successful development of the first phase of the Esplanade Quarter and will be funded from the equity generated from the first phase.

Accordingly, the Council of Ministers consider this part of the proposition to be unnecessary and should be rejected.

Part (b)

The planning permission granted for the Esplanade Quarter is in outline only, and further details are still required to enable development to commence. No work can begin on site without further detailed planning applications being submitted and approved by the Minister, and no planning application in pursuance of the outline consent can be submitted (under the term of the Planning Obligation Agreement) without the Minister for Treasury and Resources giving his consent.

As part of the Planning process, and as defined by the Planning and Building (Jersey) Law 2002, future proposals will automatically be subject to public consultation as part of the planning application process when they are received. There are no resource implications arising from part (b) of the proposition, as this consultation process is already built into the planning system. The Council of Ministers therefore questions the need for this part of the Deputy of St. John's Proposition as the process already exists.

Part (c)

Part (c) requests the Minister for Treasury and Resources to bring forward for approval any Development Agreements in respect of the Esplanade Quarter to be endorsed by the States prior to the commencement of any works on the site. The Council of Ministers urges States Members to oppose this part of the proposition as, if adopted, it could hold back the ability of SoJDC to deliver the Esplanade Quarter, whilst also setting a dangerous precedent for future development.

Since 2002, in accordance with P.45/2002, in the event that WEB has sought a development partner, it has been permitted to enter into a Development Agreement with that third party subject to the approval of the Minister for Treasury and Resources. Since 2002, WEB has entered into a number of Development Agreements that have been approved by the Minister for Treasury and Resources.

One of the primary reasons for establishing WEB, and subsequently SoJDC, is to keep major development programmes and commercial activities at arm's length from the States Assembly. It is unlikely that WEB/SoJDC would attract any development partners were each Development Agreement to be taken to the States Assembly for approval. Development Agreements are legal contracts, which generally run into hundreds of pages; it would simply not be realistic for the States to consider and approve these highly complex commercial legal contracts.

In terms of the Esplanade Quarter, since WEB terminated its relationship with Harcourt, there will be no Development Agreement(s) for the initial phases of development. The first phase of development, which comprises the proposed office content, will be developed by SoJDC, subject to the approval of the Minister for Treasury and Resources. The residential areas may, however, be undertaken via joint venture(s) in the future; and the Company would not want this Proposition to impact on any future ability to enter into such Development Agreement(s).

The Council of Ministers is equally unsure about what the Deputy defines as "Development Agreements". The Deputy may well be referring to any agreements pursuant to which SoJDC agrees to building a development for a prospective tenant, such as that proposed in the Esplanade Quarter. It would, however, be inappropriate for the States Assembly to agree any construction contracts, lease agreements, and funding agreements that would need to be entered into, as this would lead to unacceptable delays and could jeopardise the development of the Esplanade Quarter.