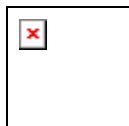


ST. HELIER WATERFRONT HOTEL: TERMS OF LEASE

**Lodged au Greffe on 27th June 2000
by the Policy and Resources Committee**



STATES OF JERSEY

STATES GREFFE

180

2000

P.106

Price code: B

PROPOSITION

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

- (a) to approve the lease by the public to Jersey Waterfront Hotel Holding Limited of approximately 5.65 vergées of land west of the Albert Pier, St. Helier (as shown on Drawing No. H-S-2A) for a period of 150 years at a rental equivalent to three per cent of room turnover commencing on the first anniversary of the commencement of the operation of the hotel business, the land to be used for the construction of a hotel with conference facilities;
- (b) to agree that, in the event of the public wishing to offer the land for sale, the lessee should be offered the opportunity to purchase it at market value before it is offered for sale to any other party;
- (c) 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

REPORT

1. Background

- 1.1 The need to attract an internationally branded hotel with conference facilities was being discussed over a decade ago. In the intervening period the States, its Committees and the Waterfront Enterprise Board Ltd. (WEB), have commissioned a number of reports on the proposal. In each case the conclusion has been to encourage the States to proceed.
- 1.2 The need for this hotel was fully debated by the States when they considered Deputy Gerard Baudains' rescindment motion on 13th October 1999. During that debate, the arguments in favour of the hotel were succinctly and clearly put in the reports of the Policy and Resources Committee (P.112/99 Com.) and the Tourism Committee (P.112/99 Rpt. (2)). These two reports were supported from a planning perspective by the report of the Planning and Environment Committee (P.112/99 Rpt.).
- 1.3 The debate was constructive, and the rescindment proposition was lost by a substantial margin (35 votes to 10) and for that reason this report and proposition focuses on the single matter of the lease.
- 1.4 The design of the Hotel has since been approved by the Planning and Environment Committee on 21st March 2000 under Permit No. 20114.

2. The lease

- 2.1 The proposed lease has been sent every member and all members have had the opportunity to question the legal representatives of the States, WEB and the Developer/Tenant.
- 2.2 The land to be leased is shown outlined on the plan at the attached Appendix. It extends to 5.65 vergées of land at west of the Albert Pier. It is reclaimed land in the ownership of the public. The whole of the area has had the services installed to meet all the current and proposed developments on the west of Albert and not specifically for any one development.
- 2.3 The lease will be for a period of 150 years from the date of passing the lease before the Royal Court. Where the private sector is being asked to invest such large sums of money on land which they will not own, this length of lease is essential.
- 2.4 The tenant will be Jersey Waterfront Hotel Holding Limited, a Jersey-based company. It is normal practice for a developer to sell on its development to an investor either during or on completion of its development. Because of the excessively long lead in period the developer in this case has identified its investor as being London & Regional Properties Limited, who in turn wish to hold the investment in a Jersey-based company wholly owned by them. The London & Regional Group is a very substantial development and investment group of mainly United Kingdom companies and can easily offer all the guarantees required.
- 2.5 The developer will be Jersey Waterfront Hotel Development Limited, a Jersey-based company, which will be owned in part by London & Regional and in part by Bilfinger + Berger UK Developments Limited, whose performance will be guaranteed to the Tenant by its parent company Bilfinger + Berger Group, which is also a substantial group operating mainly in Europe, where it has developed 24 hotels. The Group has a turnover of £3 billion last year and employ over 55,000 people world-wide.
- 2.6 The rent will be three per cent of room turnover. The definitions, inclusions and exclusions are contained within Schedule 3 of the lease. Whilst uncommon as yet in Jersey, this form of rent is increasingly popular throughout Europe for commercial and retail leases.
- 2.7 There has been considerable misunderstanding in the media over the question of land value. Value is created by the use to which the land can be put, and open market value is usually established by exposing the property to the market and seeking offers. This is exactly what WEB did, and these terms and conditions represent the only offer which has been received. However, in order to give members still greater reassurance on this point, WEB commissioned a valuation of the site under the conditions upon which it was put to the market from international property consultants Weatherall Green & Smith. A copy of their valuation certificate will be circulated to members with a copy of the lease itself.
- 2.8 The hotel operator has not been finally selected. Clearly, the tenant requires to know that it will be granted this

tenancy by the public before it can finalise terms with its operator. At the time of writing, discussions are still ongoing with Hilton International, and the Marriott group has made an offer to the tenant which is close to acceptance. Crowne Plaza's proposal is for a franchise only, which is of less financial interest to the investor.

3. Other issues

3.1 A number of misunderstandings have arisen during this elongated period of negotiation. It is important that these be addressed -

- (i) the opportunity to provide a casino has never been offered to these or any other parties during negotiations. As can be seen the word does not even appear in the lease;
- (ii) land for a construction compound will be made available by WEB under licence which is WEB's normal practice;
- (iii) the tenant will pay rates and other statutory charges like any other occupier of commercial premises;
- (iv) the layout of the conference and other facilities will be a matter for the operator in discussion with the tenant. The size of the facility must relate to the scale of the hotel.

4. Recommendation

4.1 It is ten years since this proposal was first mooted and almost four years since the developer was first invited to submit a scheme. Throughout this period, the hotel market in Europe has gone from boom to recession and back to boom. Now it appears to be moving to a more conservative position with fewer projects coming on stream. European governments and cities are prepared to offer financial incentives to international hotels in an effort to boost or underpin their tourism industries. Further procrastination on this matter could lead to the Island missing out on the current interest being shown. It may be many years, if ever, before the Island has another opportunity to create a hotel of this quality.

4.2 The case for the hotel has been thoroughly researched and debated. Time and again the Tourism Committee has confirmed its support for the need for a hotel, and the States also took the opportunity to express its support last October. The tourism industry badly needs this investment, which should be seen as a massive vote of confidence in Jersey's future as a destination. This new hotel will not only serve to redress the bed loss, but will replace those lost with quality, if not quantity.

4.3 The terms and conditions of the lease are fair and reasonable and as such are recommended for acceptance.

