STATES OF JERSEY

ESPLANADE QUARTER DEVELOPMENTS: APPROVAL BY THE STATES

Lodged au Greffe on 10th February 2014
by Senator A. Breckon

STATES GREFFE

PROPOSITION

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

to request the Minister for Treasury and Resources to give directions to the States of Jersey Development Company Limited in accordance with Article 22(a) of the Articles of Association of the company that none of the new developments currently proposed for the area known as the Esplanade Quarter, St. Helier should be progressed until the details of the proposed developments have been presented to the States by the Minister for Treasury and Resources and endorsed by the Assembly.

SENATOR A. BRECKON

REPORT

When the States Assembly were "sold" the Esplanade Quarter Masterplan (P.60/2008) we were told a number of things –

- That it incorporates a diverse range of uses and creates a lively residential and business area with plenty of space and facilities for visitors and locals to enjoy at leisure.

- A boutique hotel and self-catering apartments will represent a significant investment in high quality accommodation for Jersey's tourism industry and the Waterfront will present a new focus for visitors to the Island. The new public squares, open tree-lined boulevards and landscaped open spaces will be accessible and enjoyable by the young and old. Pedestrian comfort and easy accessibility are crucial aspects of the Masterplan.

- Locals and visitors alike, of all ages, will be able to enjoy the new shops, cafés, restaurants and bars. The Masterplan envisages that such new retail space will complement, not compete with, the existing town and bring life and vitality to the area. There will be shops providing for the needs of residents and office workers in the waterfront area and specialist shopping likely to appeal to visitors.

- The Masterplan provides for nearly 400 new apartments for local residents. New homes will help to meet Jersey's ongoing housing needs and relieve pressures to open up Greenfield sites for development. Their location will encourage people to walk or cycle to work, adding to the area's sense of community and not to the increasing pressures on the Island's roads.

- The Masterplan includes high quality office space for Jersey's thriving business community. Office space of the floor plate size and quality envisaged by the Masterplan is currently scarce in the Island, despite there being demand for space of this type from a number of the largest financial and professional services operations in Jersey. Evidence from local surveyors gathered on behalf of the Developer (referred to below) confirmed that there were requirements for 2007 – 2009 for 560,000–620,000 square feet from 14 large occupiers for modern "Category A" offices in Jersey. Such evidence reported the sea-change that Jersey is experiencing in occupational requirements following the consolidation of a number of substantial financial sector companies. As a result, the quality and size of the current office stock is not suitable. Demand for modern "Category A" offices in Jersey is expected to increase (50,000–100,000 square feet per annum) over the next few years. The Masterplan's proposals will therefore satisfy the operating needs of the most demanding investors and occupiers in St. Helier and help meet Jersey's evolving business accommodation needs.

- The Masterplan proposes that a section of La Route de la Libération (from a point between Kensington Place and Patriotic Street to the current eastern end of the existing underpass) is lowered into a subterranean tunnel. The section in actual tunnel will be from the end of Gloucester Street to the eastern end of the existing underpass. The remaining sections will be the approach slopes to the tunnel.

- When the development is fully occupied it will provide an estimated 57 million additional rateable quarters. As the total contribution from the Island-wide rate is fixed, the charge per quarter will reduce proportionately, in this way reducing the cost of both domestic and commercial rates. Based on 2007 values, the increase in quarters would equate to a saving of approximately £540,000 in the existing Island-wide rates. Therefore, if States general revenues needed to increase to fund the tunnel from 2012, this could be achieved by offsetting the reduction in the Island-wide rate with an increase in other income-generating measures with minimal, if any, increase to the overall cost to business or households.

- The development will connect the existing town with St. Helier's attractive harbour area, an area for recreation, relaxation and increasingly an area in which people live. It will gradually result in some businesses moving to the Esplanade Quarter from the existing town, and this migration will act as a catalyst for future investment in and the regeneration and reinvigoration of some of the older and run-down parts of St. Helier. The Masterplan envisages that regeneration of parts of the existing town will provide opportunities for development of residential accommodation of all types, contributing significantly to the Island's ongoing housing needs. It is consistent with the "Strategy for the Future Development and Regeneration of St. Helier" published as part of the EDAW report in March 2007.

- The Masterplan sets out standards of excellence for design and provides strict guidelines for building layout, heights and materials to ensure the development is constructed to the highest standard. It demands that each component of the development is built to the highest environmental standards and the materials used sustainable and climate-proof. It proposes that buildings will be set around colonnaded squares to provide shelter from wind and rain and places for people to sit and enjoy the public spaces. Granite will be an important feature, and the existing seawall will be incorporated in the development. The Minister for Planning and Environment has already appointed the Waterfront Design Group, which comprises various local experts, to carry out an independent review of the Masterplan, and local experts will continue to be appointed throughout the development to ensure the Esplanade Quarter is designed to reflect the high standards of Jersey's architectural heritage, albeit in a contemporary context.

- The Esplanade Quarter is expected to take approximately 7 (not more than 10) years to complete. The proposed layout of the Esplanade Quarter as set out in the Masterplan lends itself well to development over such a period. The area will be developed in phases and the undeveloped areas will, until their respective development, be areas of landscaped attractive open space for the Public to enjoy.

- In accordance with the States Economic Growth Plan, the Esplanade Quarter development will help Jersey meet its objectives of economic growth with low inflation. Development in accordance with the Masterplan will generate new investment for the retail, leisure, tourism and finance industries, at the same time releasing existing pressures on residential and office space thereby preventing overheating.

- It is proposed that the States endorse the intention of the Minister for Planning and Environment to adopt the Masterplan for the Esplanade Quarter as an agreed development framework for the Esplanade Quarter. The Minister for Planning and Environment will then assess any applications for development of the area against the Masterplan and require that any such development is in accordance with the requirements of the Masterplan

- The Masterplan provides a robust framework in which the Esplanade Quarter can be successfully and sustainably developed. It will enable the provision of a boost to tourism, high quality office space, some of the planned-for additional housing units, and many other important public amenities and infrastructure projects agreed with the Minister for Planning and Environment. This proposition has the ability to move the development of the remaining area of the Waterfront forward as never before and deliver substantial benefits to the Island. The Council of Ministers therefore commends the proposition 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.

The above are all direct quotes from the Report attached to P.60/2008, as is the section below.

SUMMARY OF THE FINANCIAL TERMS OF THE PROPOSED DEVELOPMENT OF ESPLANADE QUARTER

In return for such sub-lease(s) Harcourt Developments Limited (or a wholly-owned subsidiary of Harcourt Developments Limited) (the “Developer”) **will make payments of £50 million to the Board, build a mixed-use development on the site in accordance with the finalised masterplan,** design codes and development agreement and deliver significant infrastructure benefits. **The payments will be made in 3 tranches over an 8 year period. These payments are guaranteed either from a bank of good financial standing or by way of an acceptably rated insurance bond. They are based on independent valuations and, backed by the guarantees, represent no risk to the States or the Board.**

The proposed development includes significant new public open spaces and squares that will be paid for (and maintained) by the Developer as part of the overall scheme. Combined, these public areas are 5 times the size of the Royal Square and include a main square and a covered winter garden (both of which are comparable in size to the Royal Square).

In addition, the Developer will carry out and meet the cost of associated infrastructure works. These works include sinking a section of La Route de la Libération below ground and constructing an underground tunnel; installing traffic management improvements; providing appropriate support to public transport services; and reinstating and enhancing Les Jardins de la Mer. The costs associated with the infrastructure works have been ascribed a value of £45 million and the Developer will provide a financial guarantee in this sum in order to fund the completion of such works in the event that the Developer defaults. Such infrastructure works will greatly ease pressures on the immediate surrounding residential and commercial areas and benefit the Island as a whole. The future maintenance of the infrastructure will be undertaken as usual on behalf of the Minister for Transport and Technical Services at an estimated long-term cost of £500,000 per annum. This cost will be met from States general revenues and, if necessary, income generated by increases to offset savings to business and households resulting from associated reductions to the Island-wide rate.

If the values at practical completions exceed certain trigger values as set out in the development agreement, the Board will receive a 33% share of the increased value in the form of overage payments. Assuming inflation at 4% per annum is reflected in capital values, these additional sums could total £25 million, but are subject to future market conditions and consequently the overages are not guaranteed.

In summary, the total value the States will receive in monetary terms is a minimum of £50 million excluding the overage payments or £75 million including the potential overage payments, together with substantial non-monetary benefits by virtue of the infrastructure works that the Developer will carry out and pay for, which have been ascribed a value of £45 million.

So, as can be seen by the above, we are now in an entirely different situation to when these proposals were sold to the States –

- The Developer is no more!
- The money guaranteed has gone!
- The Waterfront Enterprise Board (now the States of Jersey Development Company (SoJDC) has become the Developer, not a third party as envisaged.
- Public money – £13 million is being loaned towards the underground car park.
- Future details of how the Masterplan will be rolled out and funded are NOT known.
- The effects on St. Helier are unknown.
- The timescale appears to have been moved from a maximum of 10 years to maybe 20 years.
- Will the sinking of the road still happen: if yes, how and by whom will it be funded?
- What is the demand for office space, retail, restaurants, etc. in the next 10/20 years?
- Will the States be relocating its central office-based functions to the site, e.g. Planning and Cyril Le Marquand House, as this is estimated to take up 25% of the space?

I know the answers to some of the above, but not all; and I do not want what may be considered sensitive commercial information, like how much a potential tenant may be per square foot. However, I would like, and I think the States and the general public deserve, more information.

There are significant knock-on effects of this development that are of significant public interest that should be both revealed and debated by the States. It is not good enough to be shrouded in secrecy. Or to have a presentation with sausage rolls and cheese sandwiches and be told how wonderful it's going to be – I believe we need to be told the whole truth.

The Minister for Treasury and Resources may contend that all the details have already been made available to the public by way of the standard Planning application procedure and all the objections have been taken account of.

This may sound reasonable to States Members, but critical to this is what is meant by 'details' and 'the public'.

Most importantly, 'details' have indeed been submitted in the 2 individual Planning Applications, but on a piecemeal basis and not linked to the Esplanade Quarter development as a whole. They cover only a small part of the whole development area, and differ in terms of both fundamental layout and phasing to the architects' plans originally shown to and agreed by the States.

Furthermore, individual Planning Applications in the context of the overall development of the site constitute only part of the 'details'. No financial or other relevant ancillary details have been provided to Members to support the development. This is not a private development project for which the individual or company concerned needs to obtain the funding, etc. about which the public at large will need to have no concerns. The concerns here are of a public nature and need to be presented accordingly as part of the whole package for development.

At this point, although the Minister for Treasury and Resources may claim that to provide such details would disclose 'commercially sensitive information', I don't believe that is the case here. Indeed, SoJDC has been set up separately as a limited company just so that it wouldn't need to involve the States in its day-to-day operations. This to a lay-person and States Member might sound very plausible, but it is in fact nonsense. Of course when one is negotiating rental agreements with third parties (e.g. rental rates per square foot, special deals, etc.) such matters need to be confidential. The States has no need to go into or the time to be party to such details. However, it should know what the overall budgets are and, more importantly in this case, what long-term annual financial plans are in terms of overall capital to be employed (States loans, third party loans and overdrafts), net operating income and expenditure, profits generated, dividends paid to the Treasury, net profits and/or losses and planned cash-flows. None of the above need contain 'commercially sensitive information'. We should also be fully aware of the risks, in this case the 'what if' alternatives (e.g. cost of delays in phasing due to non-occupancy, etc.), since the whole project could be riddled with these (e.g. finding tenants for rentable space).

The "public interest" in this affair, in my opinion, is much more than a couple of Planning Applications. The very material sums that will have to be laid out in order to bring in potential future returns and the financial risks attached to this are equally of public interest. Also, there appears to be a need to produce an Economic Development forecast, since it is this on which the financial figures are based and as a result of which the Planning Applications have been made. These assumptions are crucial, but I am not aware of having seen these or even of their existence.

Finally, we are not talking of pitching a couple of tents down the Esplanade or holding a food festival, we are changing the landscape with considerable amounts of money involved for which we could be 'funder' as a last (or first) resort), and I believe to do so we must proceed based on up-to-date information so that we go into this multi-million project, noting the possible long-term benefits but aware of the consequences.

Background to the Masterplan

1990 – Proposals prepared by the Waterfront Advisory Group were adopted by the States.

1992 – Specific proposals based on the 1990 proposals were produced by Andrews Downie and Partners, which were substantially adopted by the States.

1995 – The Waterfront Enterprise Board was established by Act of the States.

1996 – Waterfront Enterprise Board Limited was incorporated on 21st February 1996 with articles of association stating that the objectives for which it was established were: "(a) to promote, co-ordinate and implement a comprehensive strategy for the development of the St. Helier Waterfront area as shown on Map No: 3–92 approved by the States on 10 November 1992 [P.123/1992]"; and "(b) to exercise administrative control over the use of the land and the adjacent shore and water areas in the Waterfront and to liaise and consult with the relevant committees of the States of Jersey and other governmental and regulatory authorities in relation to investment in infrastructure projects in and development of the Waterfront".

2000 – The Planning and Environment Committee commissioned Howarth Tomkins Architects ("HTA") to produce a Waterfront Design Framework. HTA, as part of this commission, consulted the community through a weekend-long design workshop (Waterfront 2000) in order to inform the development of a revised draft Waterfront Design Framework.

2001 – Drivers Jonas assessed the financial viability of the Waterfront Design Framework and identified a major budget deficit in the proposals. The St. Helier Waterfront Masterplan, produced by Michael Felton Landscape Architects for the Board, updated the proposals of the Waterfront Design Framework produced by HTA and sought to address some of the economic concerns.

2002 – The States approved the lease and sale by the Public to the Board of a number of parcels of land located within the St. Helier Waterfront area (P.45/2002).

2002 – The Island Plan was adopted.

2004 – The States of Jersey Strategic Plan 2005–2010 was agreed by the States. The development of the St. Helier Waterfront was seen as an opportunity to secure something that could contribute to the economic well-being of the Island, but which could also ensure that its unique identity, character and culture was reflected and bolstered.

2004 – A development brief for Esplanade Square was agreed by the Planning and Environment Committee.

2005 – Draft proposals for the 3 remaining principal development sites were published by individual developers.

2005 – The Commission for Architecture and the Built Environment (CABE) carried out a review of the schemes with a view to assisting the Environment and Public Services Committee to complete an assessment of the different developments and establish a strategy for analysing the implications of the projects.

2006 – Draft Supplementary Planning Guidance was published in relation to tall buildings (provided by Peter Sandover) together with draft Supplementary Planning Guidance in relation to the Waterfront Development Framework. Both documents went out to public consultation. A public forum to discuss both documents was held. Subsequently a report was prepared by Chris Shepley.

2006 – Following a selection process, Hopkins Architects Limited was commissioned by the Minister for Planning and Environment to produce a Waterfront Masterplan.

2008 – States adopted P.60/2008 – "Esplanade Quarter, St. Helier: Masterplan", which was lodged by the Council of Ministers.

2008 – States adopted P.111/2008 – "Esplanade Quarter Masterplan, St. Helier: development agreement – approval by the States", which was lodged by Senator J.L. Perchard.

2010 – States adopted P.73/2010 – "Property and Infrastructure Regeneration: the States of Jersey Development Company Limited", which was lodged by the Council of Ministers. (This gave effect to changing WEB to SoJDC.)