

JERSEY TOURISM

RELOCATION AND LEASE OF NEW OFFICE ACCOMMODATION

PP22/2005

SCRUTINY BRIEFING PAPER

1. The premises now occupied by Tourism, for which the Economic Development Committee has responsibility, were formerly administered by the Planning and Environment Committee prior to the granting of States' approvals to effectively transfer the Island Site to WEB in 2003 by way of a 150 year lease. At the time of the transfer the rent payable in respect of these offices, stores and car parking was £107,018.46 per annum on the basis of an annual rolling agreement. Prior to being in Planning and Environment Committee administration, the premises were held by the then Public Services Committee. It is believed the establishment of rental level payable was probably based upon the Tourism department's ability to pay and was largely historic as opposed to strict reference to market rental value. It is arguable therefore that though this figure was the subject of indexation at 2.5% per annum, it reflected an inherent under-valuation of the premises concerned. It is understood that a similar informal annual agreement remains in place with WEB acting as landlord and thereby affords no security for the Public's occupation.
2. Initial discussions over terms for the relocation of Tourism took place between WEB and Economic Development Committee (EDC) on behalf of the Public in 2003. These discussions were at the instigation of WEB which requires the existing Tourism building to form the gateway to the Transportation Centre under the proposed redevelopment. At an early stage these talks recognised the aspiration to identify a site in close proximity to its existing premises. Consideration would have been given by WEB to how any suitable alternative site was to be identified; ultimately the decision being taken to incorporate the proposed site for the new offices in the development agreement framework with its chosen development company; Islands Development Limited. Whilst the approval relating to the proposed lease for the newly-built offices shall require States' Assembly consent, it is understood the nature and terms of the development agreement and its relationship to the offices themselves remain outside the normal States' decision-making process.
3. The basis of the agreement as set out in the Report and Proposition is that the relocation will be undertaken as far as practically possible on a cost-neutral basis. Should the States agree, post relocation the Economic Development Committee shall be in the position of having the use of comparable or improved facilities at no higher revenue cost, as regards its property commitments. This is referenced clearly by two Economic Development Committee Acts; 28 May 2004 and 9 July 2004.
4. Careful consideration has been given by the Economic Development Committee and the Department of Property Services (instructed March 2004) to the terms of the proposed relocation. However It is accepted that the strong pre-existing aspiration of the States to see the Island Site redevelopment progress, including the Transportation Centre, was fundamental in bringing about the structuring of this property transaction.
5. Whilst seeking to accommodate the timeframe set out in WEB's development agreement, it is believed business continuity will be safe-guarded by implementing a two stage relocation process. Tourism's existing storage and dispatch facility, situated at the rear of its Liberation

Square offices, will move to a unit at the Barette Commercial Centre, St John to be fitted out by the developer to meet Tourism's particular requirements at an estimated cost of 40k. This particular function can operate as a stand-alone business unit without any prejudicial impact to Tourism's day-to-day operation. No rent shall be payable in respect of these premises for nine years.

6. At the same time sufficient office space will be made available within Albert House to accommodate five members of staff with meeting facilities, who shall move temporarily into this newly-refurbished space on a licence agreement, rent-free and for such period as is required before moving into the newly-built offices. These proposed interim arrangements for Albert House are to be undertaken at the expense of the developer and have been agreed to enable redevelopment of the Island Site to proceed as expeditiously as possible.
7. Arrangements for the physical relocation to the Barette premises and Albert House have been worked up with the co-operation of the development company and its retained architects, Axis Mason. All costs incurred in respect of these moves, including the dismantling and re-assembly of technical plant will be met by Islands Development Limited. Certain limited fixtures and fittings including heating and lighting units shall be relocated to Albert House and Barette, also at the expense of the development company. Usual occupational costs such as utilities costs and occupiers' rates will be payable by the Public in respect of both premises. In addition, 3 no. car parking spaces requested by the Economic Development Committee for States' owned vehicles will be replaced by the developer at the Waterfront Car Park at nil rental cost for 9 years.
8. The principle rent proposed of £109,300 per annum represents the current (2005) rental fee payable year to year by the Economic Development Committee to WEB for its existing premises. Though subject to some upgrading, these premises comprise predominantly of cellular offices and are inflexible and inefficient to occupy in comparison to standards normally required by office users. The offices to be built on the junction of Castle Street and the Esplanade will be fitted-out on a "turn-key" basis, to an agreed specification in readiness for occupation by the Public upon practical completion. Further work is however required to ensure the legal and technical aspects of the relocation proceed satisfactorily from the Public's viewpoint. Consequently, the appointment of an external quantity surveyor to act on behalf of the Public has been recommended by Property Services.
9. The proposed leasing of the new offices will allow occupation by any States' Department, as well as the possibility of assignment or sub-letting, on a floor to floor basis, subject to Landlord's prior approvals. These provisions have been required due to the possible changes in staffing at Economic Development and also within the States generally as Ministerial Government approaches. Office accommodation requirements may thus be subject to change in the short to medium term and a break option in favour of the Public has been insisted upon, in order to protect its position. This enables the Public to break the lease after a period of nine years without penalty. Preliminary advice is presently being sought from the Law Officers' Department in respect of the draft lease and other contractual documentation including the agreement for lease as well as the specifications for the Barette Centre premises and Albert House.
10. With the benefit of hindsight it would have been helpful if the figures set out in the Report had provided a like for like comparison in terms of floor space currently occupied and that envisaged under the proposed leases. The existing Tourism offices comprise 695 sq m/7,477 sq ft net internal area with usable storage and dispatch totalling 215 sq m/2314 sq ft. These areas are almost comparable with the floor areas of the new offices, which have a net internal area of 625 sq m/6,742 sq ft and the site for the storage and dispatch facility at St John

having a net area of 213 sq m/2,289 sq ft. These figures that have been provided by Axis Mason demonstrate a superior gross/net ratio of 83% for its proposed premises compared to 66% in the case of its existing. This statistic would suggest that its new premises would offer Tourism improved flexibility and efficiency in use, with better overall use being made of the floor area occupied.

11. Though ample office accommodation is currently available to lease in St Helier, the opportunity to relocate to the site identified is considered the most appropriate option given the comparable floor areas and the safeguards provided by the developer in respect of the relocation costs. The availability of alternative premises in States' ownership was considered for both offices and storage/dispatch but no suitable sites are available at this time.
12. The nature of these discussions reflect the importance of this relocation, in that the existing Tourism site shall provide a key focal point for the whole development acting as the major pedestrian draw and hence point of access/egress to the scheme. The terms of the proposed relocation are considered recommendable to the States given the constraints agreed in respect of the revenue and capital costs and in the light of the pre-existing development agreement between WEB and the developer in respect of Liberation Place.