

BEAUMONT WAREHOUSE, ST. PETER: LEASE FROM CHANNEL ISLANDS CO-OPERATIVE SOCIETY LTD.

**Lodged au Greffe on 13th March 2001
by the Committee for Postal Administration**



STATES OF JERSEY

STATES GREFFE

180

2001

P.43

Price code: B

PROPOSITION

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

- (a) to approve the leasing by the public of the Beaumont Warehouse, St. Peter, from the Channel Islands Co-operative Society Limited for the purpose of accommodating the Jersey Post Promail, Philatelic and Disaster Recovery services, with effect from 25th March 2001 until 28th October 2005 at an annual rent of £126,150, the rent to be reviewed on 25th March 2004 in line with the Jersey Retail Prices Index and with each party being responsible for its own legal fees in relation to this transaction;
- (b) to authorise the Greffier of the States to sign the lease on behalf of the public, and;
- (c) to authorise the Treasurer of the States to pay the rent as it becomes due.

COMMITTEE FOR POSTAL ADMINISTRATION

- Notes:
- 1. The Finance and Economics Committee supports the proposition.
 - 2. The Planning and Environment Committee supports the report and proposition subject to the outcome of a survey of the fabric of the building to ensure it meets health and safety requirements.

REPORT

1. Executive summary

- 1.1 Jersey Post needs to secure its property interests at Beaumont and take additional accommodation in order to meet the requirements of Promail, fulfilment services and continue to enhance and develop the Island's postal services.
- 1.2 A full review of Jersey Post's current property assets and future accommodation requirements has been undertaken, which has concluded, amongst other things, that the Beaumont site needs to be secured for the next five years in order to provide continuity and security for the Promail business at Beaumont.
- 1.3 The Channel Islands Co-operative Society Limited have offered additional space at Beaumont which will house Philatelic and provide additional storage accommodation. It has been an objective of Jersey Post to bring Promail and Philatelic together as there is synergy between the operations.
- 1.4 Jersey Post wish to proceed as soon as possible to surrender their existing leasehold interests and take a new consolidated lease interest (detailed in para. 7.2 below) at Beaumont. Jersey Post has worked closely with their property advisers Weatherall Green & Smith and the Department of Property Services to negotiate and secure agreeable terms for the surrender and renewal, the details of which are described in the accompanying proposition and later in this report.

2. Background

- 2.1 During 2000, a review of all Jersey Post property assets was conducted, including an assessment of the suitability of the premises for current and future needs, staff requirements and working conditions.
- 2.2 The main conclusions from the review were -
 - 2.2.1 The Beaumont warehouse is essential to Jersey Post and accordingly the lease which expires in September 2001 requires extension in order to provide continuity and security.
 - 2.2.2 Philatelic should be located with Promail as it is part of fulfilment services. By moving Philatelic from Postal Headquarters valuable space will be freed up for central administrative functions.
 - 2.2.3 Jersey Post has expended considerable sums of money on improving their lease-hold interest at Beaumont including sealed screed floor, down-lighting and ceiling radiant heaters. There is a climate-controlled area for the storage of paper.
 - 2.2.4 A disaster recovery area away from Rue des Pres is required and the Beaumont site has been identified as suitable.

3. Existing property assets

- 3.1 Jersey Post's main property asset is Postal Headquarters, Rue des Pres Trading Estate and the main town office in Broad Street. These are both owned freehold. In addition, Jersey Post has lease-hold premises at the Central Market and Beaumont.
- 3.2 The Postal Headquarters at Rue des Pres is now full and there is a need to expand the available space for central staff.
- 3.3 The explosive growth in demand for business mailing and fulfilment services has meant the need for a dedicated operation with sufficient space for storage and distribution. Beaumont is ideally suited to Promail's requirements.

4. Current business needs

- 4.1 During the last 12 months, customer demand for Promail services has expanded. Jersey Post now needs to secure their property interest at Beaumont as well as provide additional accommodation.
- 4.2 In particular, due to the following factors -
 - 4.2.1 Success in winning new business, particularly from Jersey Telecoms and the clearing banks.

4.2.2 The development of e-commerce will lead to an increase in the amount of goods and products to be distributed to households.

5. Immediate space requirement

5.1 There is no spare capacity within Rue des Pres to meet the specific demands of the business. By relocating Philatelic, administrative functions can be centralised. The floorspace devoted to alternative uses can be revisited, such as information or courier services, and adjustments made in accordance with Postal's accommodation and property strategy.

6. Availability

6.1 There are few, if any, warehouse units available to meet the requirements of Promail.

6.2 In the absence of rezoning for industrial/warehousing use, the earliest date at which suitable accommodation will be available is three to four years. Discussions are in hand with Jersey Airport for the creation of a purpose-built unit, however, the planning and construction process means that any scheme at the airport is at least four years away.

6.3 Of second-hand properties which might become available, most will require substantial capital works to bring them up to standard for occupation requirements for Promail.

7. Beaumont warehouse proposal

7.1 At Beaumont, the lease for the main warehouse (8,295 square feet) is due to expire on 28th September 2001. The sub-lease for the ancillary offices (2,707 square feet) expires on 28th September 2004, although being subject to a break clause on 29th September 2001, the existing total rent payable being £74,589 per annum. The new lease will enable Jersey Post to consolidate its business operation by taking an additional 4,707 square feet of storage and office accommodation plus approximately 30 car parking spaces, although 2,364 square feet of floorspace is unavailable until 1st June 2001.

7.2 Channel Islands Co-operative Society Limited are offering a new head lease of the Beaumont warehouse from 25th March 2001, expiring on 28th October 2005, at a total rental of £126,150 per annum for 15,721 square feet of warehouse, office, garage and ancillary accommodation (representing a rate of £7 per square foot for the warehouse accommodation and £9 per square foot for office accommodation) and approximately 30 car parking spaces. The property will be available on an internal repairing and insuring lease with a rent review in accordance with the prevailing level of Jersey Retail Price Index as at 25th March 2004. Each party will bear their respective legal costs with regard to the proposed agreement.

7.3 A schedule of the area to be taken, together with rentals agreed, is set out at the Appendix. Deferred possession of the garage area comprising 2,364 square feet will be granted on 1st June 2001, since the area concerned is required by the lessor until this date. As rent will only become payable until such time as Postal take possession of this part of the property, an appropriate rental apportionment will be incorporated into the lease.

7.4 Although the proposed lease limits Postal's repairing responsibility to internal repairs, a survey will be obtained of the building fabric to ensure that it meets health and safety requirements. Jersey Post is aware that the building is clad in asbestos and will be taking specialist advice to ensure that this presents no danger to staff, visitors and occupiers of the property prior to the lease contract being completed.

7.5 Under the terms of the proposed lease, the landlord will maintain and repair the exterior of the building, including the exterior wall cladding, comprising asbestos sheeting. In connection with any such work the landlord will not be permitted to disrupt Postal's business operation or jeopardise the safety of the occupants.

7.6 It will be the intention of Jersey Post to surrender its two existing lease-hold interests simultaneously and consolidate them into the one as set out above.

8. Conclusions

Jersey Post needs to secure a lease of the Beaumont property in order to continue to meet customer demand and to provide new services. If the lease is not renewed it would be extremely difficult to acquire suitable alternative

premises.

There are no manpower implications for the States arising from this proposition.

