

STATES OF JERSEY



PLÉMONT HOLIDAY VILLAGE – ACQUISITION BY THE PUBLIC AND SALE TO THE NATIONAL TRUST FOR JERSEY (P.90/2012) – COMMENTS

Presented to the States on 10th December 2012
by the Minister for Treasury and Resources

STATES GREFFE

COMMENTS

Introduction

The purpose of this report is provide additional information to assist Members in their consideration of P.90/2012 – Plémont Holiday Village – acquisition by the public and sale to the National Trust for Jersey.

It provides further information on –

- the outcome of an up-to-date, independent valuation of the site
- the (net) recommended amount that the States allocates for the purchase of the site and the associated costs based on the valuation
- the options available to fund these costs and a recommendation as to the preferred option.

Independent valuation

Attached at Appendix 1 is a Report, “Plémont Headland – Valuation” from Jersey Property Holdings Department. This summarises the basis and outcomes of the independent valuation undertaken. The full valuation will be available for Members to inspect at Property Holdings.

The independent valuer has estimated the Market Value for the site as £4,000,000 (rounded).

States funds to be allocated to purchase the site

It is recommended that the sum of £5.5 million be allocated by the States, to cover the total costs of acquiring the site, with a net cost of £3.5 million –

	<u>£m</u>
Acquisition of site, as valued	4.0
Provision in the event of an increased valuation being made by a Board of Arbitrators	1.0
Provision for costs including those associated with Compulsory Purchase	<u>0.5</u>
	5.5
<u>Less:</u> Proceeds of sale to National Trust for Jersey	<u>2.0</u>
Net Amount to be funded by the States	<u>3.5</u>

Options and recommendations for funding

Attached at Appendix 2 is a Briefing Note prepared by the Treasury which outlines the options available to provide the suggested funding.

The Briefing Note makes the recommendation to the Minister for Treasury and Resources that if the States is minded to proceed with the proposal to acquire Plémont, the costs be met from contingency. Article 17(2) of the Public Finances (Jersey) Law 2005 provides that, “The Minister is authorized to approve the transfer from contingency expenditure to heads of expenditure of amounts not exceeding, in total, the amount available for contingency expenditure in a financial year in accordance with paragraph (1).”

It is important to note that the £5.5 million (£3.5 million net cost) of acquisition is based on the valuation provided. It is possible that a higher fee could be agreed, for example, if a process of Compulsory Purchase were to be followed, the final valuation and hence the cost to the States, would be as determined by a Board of Arbitrators.

REPORT OF JERSEY PROPERTY HOLDINGS

ON

PLÉMONT HEADLAND – VALUATION

Treasury and Resources Department
Property Holdings

December 2012

Purpose

The purpose of this report is to provide a summary to Members of the recently received draft valuation report dated 30th November 2012, of the proposed scheme at the former Plémont holiday camp, as obtained by Jersey Property Holdings from a local Chartered Surveying firm.

Status of the Valuation Report

The report has been provided by an appropriately qualified RICS Registered Valuer and undertaken in accordance with the current edition of the RICS Valuation – Professional Standards (effective 30th March 2012).

The report provides an opinion as to the Market Value of the freehold interest in the property at the date of valuation (30th November 2012) subject to the resolution of the Minister for Planning and Environment to grant planning consent for a residential redevelopment scheme.

The valuation is confidential but has been reviewed by the Minister for Treasury and Resources. The valuation report was provided to the client in confidence and may not be disclosed to any other third party without the prior written consent of the valuation firm. The report is available for Members to view on this basis.

Market Value

The report considers the estimated Market Value of the property to be **£4,000,000** based on certain assumptions as set out in the report.

Market Value is an internationally recognised basis and is defined as:

The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction and after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Methodology

The valuation considers the Gross Development Value (GDV) that is expected to be achieved from sale receipts of the completed residential units together with the costs of construction and other associated costs of development, including an assumption for developer's profit as a percentage of costs, which reflects the developer's expected return on investment.

These costs are then deducted from the GDV to derive a residual value for the land, based upon the assumptions contained within the valuer's report.

Valuation elements and assumptions

Gross Development Value

The Minister for Planning and Environment has resolved to grant planning consent to develop the Property to provide 10 x three-bedroom houses, 13 x four-bedroom houses and 5 x five-bedroom houses.

The valuer has estimated the GDV of the completed scheme, generated from the proposed sale of the 28 houses, to be £25,360,000. The proposed development has a total Gross Internal Area (GIA) of 53,897 square feet, which equates to a development value of some £470 per square foot overall of GIA.

The estimate of GDV is supported by comparable transactional sale evidence in the local residential property market as set out in the report.

Construction costs

The valuer has assumed a construction rate of some £197 per square foot of GIA (inclusive of garages and car ports), providing a total construction cost of £10,600,000.

The valuer considers that these construction cost estimates are considered fair and reasonable for a scheme of the size, complexity, intended specification and quality of construction proposed to be undertaken at the property.

In addition to the construction cost, the valuer has made the following assumptions as to other costs associated with the proposed development:

Acquisition fees:

Stamp Duty		5%
Legal/Surveyor Fees	1.75%	
Professional fees		12.5% build cost
Demolition and asbestos removal		£1,100,000
Site works (including landscaping)	£1,200,000	
Provision of services	£300,000	
Site preliminary and set-up costs		£1,200,000
Planning, building control and public art		£200,000
Construction contingency		3% build cost
Marketing costs		£100,000
Disposal fees	1.5% GDV	
Finance cost rate		4.5%
Developer's profit		15% of cost

Total costs associated with the proposed scheme are estimated at £21,413,366.

The cost estimates incorporated into the report take account of the proposed planning obligations pertaining to the property.

Derivation of estimated Market Value

On the basis of the estimate of GDV above, and total costs associated with the proposed scheme, the valuer has estimated the Market Value for the property is **£4,000,000** (rounded).

Basis for Compulsory Purchase Value Assessment

The valuation report has not been produced with specific regard to the initiation of a Compulsory Purchase process.

The valuer has separately provided commentary with regard to the possible compensation payable to the current owner of the property by virtue of the Compulsory Purchase of Land (Procedure) (Jersey) Law 1961 ('the CPO Law'), in the event that the property is acquired through the use of appropriate Compulsory Purchase powers.

The valuer considers that the only head of claim under the CPO Law that the owner is expected to be compensated for relates to the value of land taken and, in the valuer's opinion, the value of land taken is £4,000,000, based on the assumptions stated in the report.

The Board of Arbitrators has absolute discretion as to the payment of any fees, costs, and expenses by the parties, so there is no certainty that the owner can recover such sums.

There is, however, a presumption that the owner would be entitled to recover all reasonable costs, fees, expenses properly incurred as a result of the process of compulsory acquisition. The valuer estimated this as circa £25,000 to £50,000.

This sum does not include any costs relating to appeals, disputes or any legal challenge.

Members can be assured that the valuation provided has been undertaken by a suitably qualified and reputable organisation that has appropriate local knowledge.

The estimated Market Value for the property is a professional opinion based on a combination of comparable sales evidence to opine on the GDV and reasonable assumptions as to the cost variables, but is not definitive and relies on the assumptions underpinning the variables that support the valuation.

Such assumptions will vary from valuer to valuer, and differences of opinion will impact on the estimated Market Value. The valuer has not had sight of surveys and other data that may vary the assumptions made.

We do not have sight of an equivalent valuation undertaken by the landowner and cannot comment on the evidence in support of statements made in public by the landowner's representative as to value.

**BRIEFING NOTE FOR THE MINISTER
FROM THE TREASURY
RE FUNDING OPTIONS FOR PLÉMONT**

Options for funding Plémont

If the States wishes to acquire the land and property at Plémont, I would recommend that the costs be met from contingency in 2013. The 2013 contingencies which will comprise unspent contingency balances from 2012 in addition to those earmarked for carry forward in the Medium Term Financial Plan.

The other sources considered are set out below for your information –

Infrastructure Investment

The Currency Fund is available for Infrastructure Investments but would require repayment and a financial return which is not available within existing revenue expenditure budgets.

Reprioritisation of capital programme

The 2013 Capital Programme has only just been approved by the States as part of the 2013 Budget and it is not, therefore, deemed appropriate to vary this approval.

Unspent capital balances from prior year approvals

The Quarter 3 monitoring report for capital expenditure identifies £79.1 million of unspent capital balances at the end of 2012 for non trading departments. These balances are all committed to approved schemes. Departments have indicated that there will only be a minor proportion of these balances that may not be required.

As a result of these unspent balances there may be opportunity to re-phase existing approvals such that there is a contribution towards Plémont in 2013 which would then have to be repaid from 2014 and 2015 capital approvals that are yet to be agreed in detail by the States.

Use of receipts from Asset disposals

The States has a significant asset portfolio with a total value of £2.9 billion at the end of 2011. However, opportunities to rationalise these assets have been considered and the disposal receipts for immediate opportunities have already been included in the Medium Term Financial Plan and the Long Term Capital Plan.

2012 Underspend Projections

Ministers will be aware that the Quarter 3 monitoring report for revenue expenditure shows that departments are forecasting an underspend position of £25.9 million. Departments have submitted carry forward requests for the majority of these balances with the remainder being considered as an appropriate allocation to contingencies in

2013. Departments have also planned underspends by deferring projects and to meet CSR targets.

Additional returns from Strategic Investments

The States is the majority shareholder in a number of organisations and receives annual dividend income as a result. The States is in a position to increase the requirement for dividends or to request a special return recognising any cash balances these organisations may hold. However, the States must recognise that these organisations are run independently by appointed Boards with agreed business plans. For example, the States of Jersey Development Company holds a cash balance of circa £6 million but is not in a position to return this presently in the form of increased dividends because the cash is needed to bring forward investment in sites such as the old JCG.

Stabilisation Fund

There is a defined purpose for the use of the Stabilisation Fund. Any proposals to use the Stabilisation Reserve to fund Plémont or any other such investment would require both an expenditure approval and a change of purpose for the Fund. In any event, there is only £1 million available.

Re-issue Note

This comment has been re-issued as changes have been made to the section “Options and Recommendations for Funding” on page 3.