

**NELSON HOUSE, DAVID PLACE, ST. HELIER:
LEASE OF OFFICE ACCOMMODATION**

**Lodged au Greffe on 3rd March 1998
by the Finance and Economics Committee**



STATES OF JERSEY

STATES GREFFE

175

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PROPOSITION

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

- (a) to approve the leasing by the Finance and Economics Committee from JCN Investments (Jersey) Limited of part of the ground floor, the first floor and second floor office accommodation, comprising 9429 square feet of floor space, and car parking at Nelson House, 30 David Place, St. Helier, to accommodate the Financial Services Department, the functions of which will, in due course, in accordance with the Financial Services Commission (Jersey) Law 199-, be assumed by the Jersey Financial Services Commission, for a period of nine years, with a tenant's option to break the lease at the end of the fifth year and seventh year of the term upon giving the landlord one year's prior notice in writing, at a commencing annual rental of £183,904 a year (£10 a square foot for the ground floor reception, £20 a square foot for the first and second floor offices and £6 a square foot for kitchens), with a three month rent free fitting out period, together with £17,500 a year (£1,750 a space a year) for 10 covered basement car parking spaces, with three yearly rent reviews to open market rental value, such rental to remain the same or increase;
- (b) to approve the assignment of the lease to the Jersey Financial Services Commission upon its obtaining corporate status and to agree that the Finance and Economics Committee, on behalf of the States, will at that time provide a letter of 'comfort' confirming that should the Jersey Financial Services Commission cease to exist, then the States of Jersey would continue to honour the terms of the lease.
- (c) to authorise the Attorney General and the Greffier of the States to sign the lease;

- (d) to authorise the Treasurer of the States to pay the rent as it becomes due until such time as the lease is assigned to the Jersey Financial Services Commission.

FINANCE AND ECONOMICS COMMITTEE

Report

On 9th December, 1997 the States approved the draft Financial Services Commission (Jersey) Law 199-, which will establish the Jersey Financial Services Commission, with corporate status and charged with the responsibility for the supervision and development of the finance industry in the Island. It is expected that the present Financial Services Department will become a part of the new Jersey Financial Services Commission on or soon after 1st July 1998 and in this regard suitable office accommodation has been sought.

The Department is currently accommodated as follows -

Companies Registry - part of the ground floor (including two offices in the Treasury) and part of the basement of Cyril Le Marquand House;

Directorate, Banking, Insurance, Financial Business and Support Services Divisions - fifth floor of Cyril Le Marquand House;

Investments and Securities Division - first and second floors of 37 Broad Street, St. Helier.

Storage/Archiving - ground floor Axminster House, St Helier

The accommodation is not adequate for the existing staff complement and it is envisaged that further recruitment will take place later this year once draft financial business legislation is finalised.

The Finance and Economics Committee in seeking suitable premises was mindful of the real importance to the Island of the Commission which will be responsible for the finance industry in all its ramifications. The industry generates over 50 per cent of the gross domestic product of the Island and over 60 per cent of the income tax revenue of the Island comes directly from that industry.

The States will recall that it is intended that the Commission be independent and entirely self-funding, bearing all its own costs out of fees chargeable to firms, companies and individuals in the finance

industry, and out of fees payable for registration (particularly company registration) services.

The Financial Services Department has for many years made valuable contributions to the General Revenues of the States arising out of a surplus of income over total revenue expenditure. In 1997 the contribution was £3.454 million and a similar figure is budgeted for 1998.

It is considered vitally important that the Commission not only has high status but is seen to be accommodated in premises which demonstrate the commitment of the Island to an international industry of high stature, probity and security.

In 1996 the Finance and Economics Committee agreed to seek accommodation for the proposed Jersey Financial Services Commission within the new States offices at Morier House. However a more detailed analysis of space requirements identified that the Commission would soon outgrow the space allocated to the Commission by the Morier House Planning Group and the Finance and Economics Committee agreed that the Jersey Financial Services Commission should be located elsewhere.

The States Assembly at their meeting of 17th June 1997 approved a report and proposition to permit the Finance and Economics Committee to enter into a lease for the 2nd and 3rd floors of Sutton House, The Parade, St Helier to accommodate the Jersey Financial Services Commission. Subsequent to this, the President of the Finance and Economics Committee at the meeting of the States Assembly of 7th October 1997, made a statement to the House which included the following -

‘‘After long and detailed negotiations it is with much regret that I have to inform the House that the Finance and Economics Committee has decided that it will not be proceeding with the lease as it has not been able to agree terms with the landlords representatives within the proposition approved by the States.

This is particularly disappointing to my Committee as the principal terms contained in the proposition had been agreed in

writing by the landlords representatives. In the event however, they sought material changes to those terms which were unacceptable”

Since that time efforts have been made to secure alternative accommodation. The preferred long- term option is to build on States owned land but this is not likely to be achievable within the next four years. The lack of currently available accommodation of suitable size and standard to lease in St. Helier has led the Department to reconsider its short term objective which was to relocate completely to one building. It is therefore proposed that the Companies Registry will remain at Cyril Le Marquand House and archives at Axminster House, for the foreseeable future. This will allow the rest of the Department to fit into the 10,000 square feet available on the 1st and 2nd floors of Nelson House, David Place. Negotiations have been entered into for the leasing of a part of this building.

It is envisaged that the Directorate, Banking, Insurance, Financial Business and Support Services Divisions together with the Investment and Securities Division will be relocated to Nelson House to form the main headquarters of the Jersey Financial Services Commission.

Though this building has an additional 4,500 square feet of space currently available which would be suitable to accommodate the remainder of the Department, it is subject to planning restrictions and cannot be considered at the present time. This proposition is therefore made on the basis that the Department may never be in a position to occupy the ground floor. However, should this additional space become available prior to the establishment of the Jersey Financial Services Commission, any proposals to accommodate the Companies Registry within it will be subject to a further proposition to the States.

On this basis, terms have been negotiated with the owners of the building, subject to States' approval, as follows -

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| LESSOR | JCN Investments (Jersey) Ltd |
| LESSEE | States of Jersey Finance and Economics Committee (to be assigned to the Jersey Financial Services Commission). |

Upon assignment the Finance and Economics Committee on behalf of the States of Jersey will provide a 'comfort' letter confirming that should the Jersey Financial Services Commission cease to exist, then the States of Jersey would intend to continue to honour the terms of the lease.

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| DEMISE | Ground floor reception | 350 square feet |
| | First floor offices | 4,889 square feet |
| | First floor kitchen | 24 square feet |
| | Second floor offices | 4,106 square feet |
| | Second floor kitchen | 60 square feet |

Car parking - 10 spaces required

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| LEASE TERM | An internal repairing lease for a period of nine years from the commencement of the lease with a tenant's option to break the lease at the end of the fifth and seventh years of the term upon giving one year's prior written notice, without penalty. | |
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| COMMENCING RENTAL | Ground floor reception | £10.00 a square foot |
| | First floor offices | £20.00 per sq ft |
| | Second floor offices | £20.00 per sq ft |
| | kitchens | £6.00 per sq ft |

Car parking - £1,750 per annum per space

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| FITTING-OUT PERIOD | The lessee is to be granted a rent free three month fitting-out period, from the commencement of the lease. | |
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| SERVICE CHARGE | The lessee is to be responsible for a fair proportion of the following costs, subject to the total service charge each year not exceeding 10 per cent of the annual rental payable each year. | |
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1. Foncier Rates
2. Building Insurance Premium
3. Lift Maintenance
4. Air Conditioning Maintenance
5. Cleaning and Maintenance of internal Communal Areas
6. Fire Alarm System Maintenance

7. Management Fees (not to be more than two per cent of the annual rental)
8. External Redecoration
9. Water Rates
10. Landlords Electrical Supply

PARISH
OCCUPIER
RATES

The Lessee is to be responsible for the payment of Parish Occupier Rates.

EXTERNAL
RE-
DECORATION

The lessee is be responsible for a fair proportion of the costs of external redecoration which is to be carried out by the lessor every three years.

USER
CLAUSE

Offices.

RENT
REVIEW

The rent is to be reviewed at the end of the third year of the term and every three years thereafter to an amount agreed between the parties representing the open market rental value of the demised premises at the date of review, taking into account the length of the lease remaining, subject to a minimum period of six years, subject to the rent either remaining the same as previously agreed or going upwards. Should agreement not be reached the matter will be referred to an Arbitrator, such appointment to be made by the President of the Royal Institution of Chartered Surveyors.

ALTERA-
TIONS

The lessee is to be able to carry out various alterations, subject to obtaining the landlord's prior written consent, such consent not to be unreasonably withheld.

CONDITION

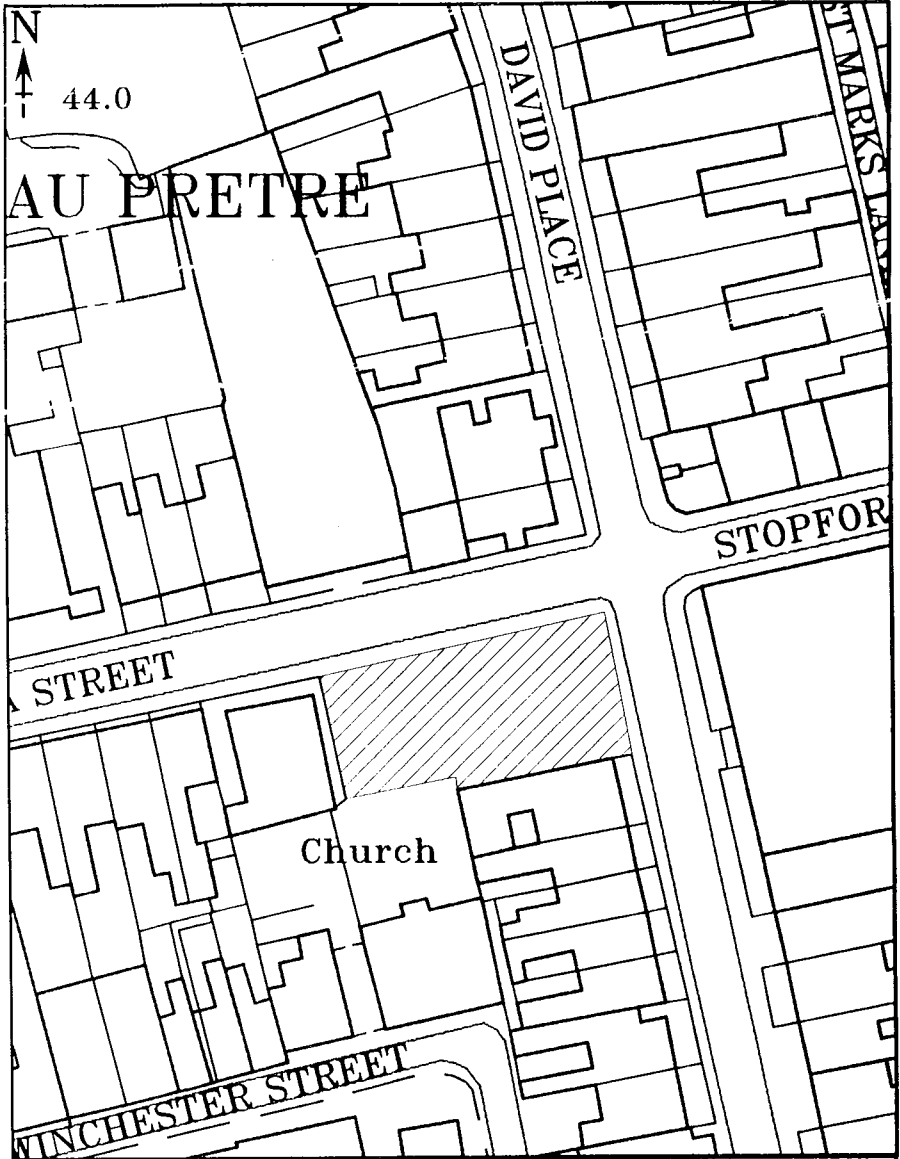
A schedule of condition of the office premises is to be carried out by the lessee and agreed between the parties. It was agreed that a snagging list will be produced by the lessee following the repair works that are currently being effected by the lessor, and once the snagging works are done, the schedule of condition will be prepared. The schedule of condition is to be specifically mentioned in the lease as having been agreed by the two parties.

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| ALIENATION | The lessee is to be permitted to either assign or sub-let the whole or part of the demised premises subject to the landlord's prior written consent, such consent not to be unreasonably withheld. |
| LEGAL COSTS | Each party is to be responsible for its own legal costs. |
| DISABLED ACCESS | The lessor is to provide disabled access within the basement car park. |
| INTERNAL REPAIRING OBLIGATIONS | It is agreed that the lessee will prepare a schedule of the internal elements for which it is to be responsible for under the lease. The schedule is to be agreed with the lessor and incorporated into the lease. |
| STRUCTURAL REPAIRING OBLIGATIONS | The lessor is to be responsible for maintaining the structure in a fully repaired condition at its own cost. |
| GROUND FLOOR RECEPTION | The lessee is to be the sole user of the reception area and that should another organisation occupy the remainder of the ground floor, a new entrance would be created by the lessor at their own cost, subject to receiving formal planning consent. |
| INTERNAL WORKS | The lessor is to re-position and enlarge the kitchen area on the second floor at its own cost. |
| INHERENT DEFECTS | The lessor is to be responsible for the rectification of any inherent defects in the building at its own expense. |

It is considered that above rentals are competitive for quality premises in this location and provide value for money, taking into account current market conditions for office accommodation. Furthermore, the opportunity to break the lease at the end of the fifth and seventh years of the term have been secured to give the Commission, eventually, a good degree of flexibility should relocation prove necessary in the future.

The total cost of fitting out, furnishing and wiring is expected to be in the order of £295,000 with additional costs incurred if the Companies Registry were to follow. The Finance and Economics Committee has agreed in principle to make

the necessary funds available from a rechargeable account under Articles 7 and 20 of the Public Finances (Administration) (Jersey) Law 1967. The funds will be repayable with interest by the Jersey Financial Services Commission over a period of five years.



NELSON HOUSE
30 DAVID PLACE
ST. HELIER

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States of Jersey Planning & Development Committee

Planning & Development

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