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# BUSINESS OBSERVER

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## Changing the face of property developers

**CHRISTOPHER BOOKER and BENNIE GRAY** describe how they, as two journalists, directed huge profits from a £40 million property development away from the tycoons and into the public purse.

ON 12 SEPTEMBER, after years of tortured negotiations and heart-searching, the borough of Camden finally decided to go ahead with one of the largest and most controversial development schemes at present proposed in London.

In carrying out the so-called Tolmers Square development, Camden's Labour council was to enter into a lease-back arrangement which would give one of London's biggest property companies, Mr Joe Levy's Stock Conversion, with a profit of more than £20 million.

Last Wednesday night, there a huge howl of outrage from thousands of local residents and a galaxy of national Labour Party figures, Camden changed its mind. In doing so, the council took a decision which may significantly alter the whole pattern of property development in Britain's major cities.

What is at stake after the Tolmers Square decision is nothing less than the role of the huge development companies which, for the past 15 years, have had things their own way in transforming the look of most every town and city in the country.

Earlier this year, we began a series of articles in *The Observer* and elsewhere, examining some of the largest developments at present going on in London. What particularly interested us was the way in which, in recent years, more and more of the big developments have been possible only because of the close co-operation of local

authorities in providing land and planning concessions.

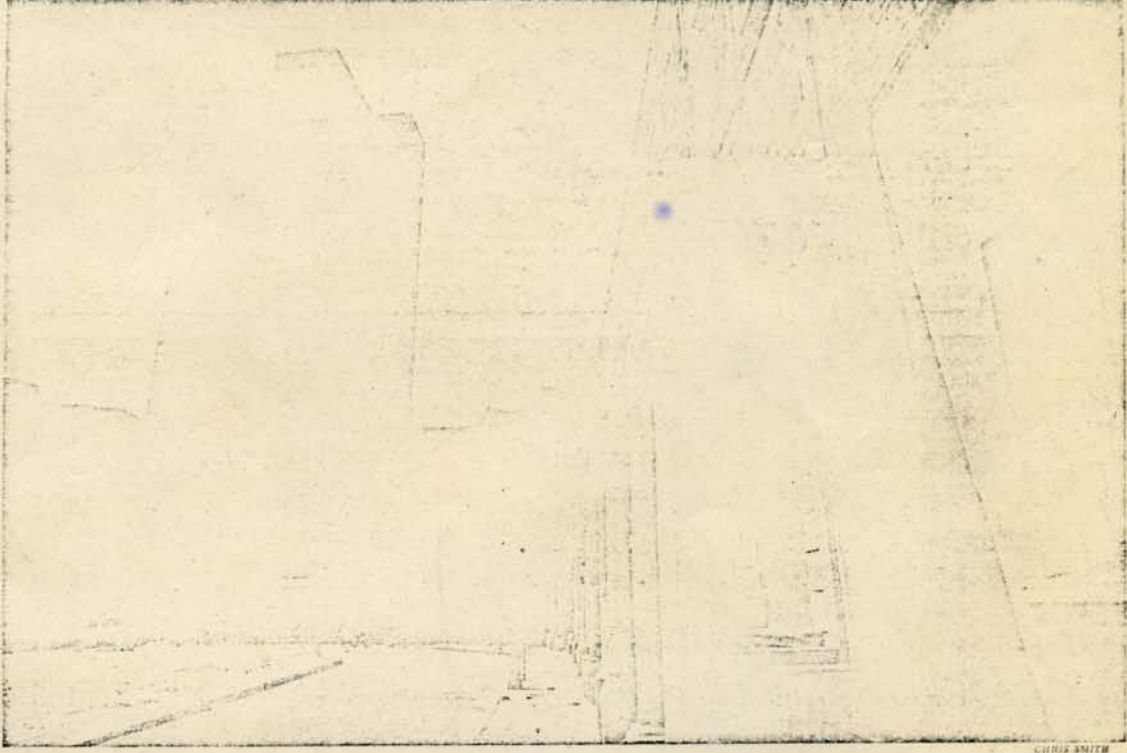
Almost invariably, the gain received by the local authorities for blessing such schemes has been paltry in comparison with the spectacular profits brought within the grasp of the property companies.

Centre Point, of course, is the classic model—where the old LCC received £1.5 million to buy land for a now useless traffic roundabout, in return for compulsory purchase support and planning concessions which gave Harry Hyams an office block now worth more than £25 million. Similar examples are thick on the ground all over London.

But, of all the developments we looked at, the most one-sided was that proposed by Camden Council at Tolmers Square—where, in return for a subsidy of £3.7 million to enable them to buy 8.5 acres of housing land, Camden would allow Stock Conversion a 250,000 sq. ft office block worth £40 million—of which more than £20 million would be clear profit.

By the time we first wrote about it in April this year, it seemed that Camden's chances of winning any more financial concessions out of a lopsided deal, which had been dragging on for years, were exhausted. Indeed, on 16 May, the council at last took a decision to conclude the deal with Stock Conversion without delay.

It seemed that there was virtually nothing more to be said on the subject of Tolmers Square—but, two days later, it suddenly occurred to us that there was a possible alternative and, moreover, that we could put it forward



Tolmers Square, Camden: The decision here could alter the whole pattern of property development in major cities.

ourselves. What we had in mind was nothing less than our own full-scale offer for the Tolmers Square development, devised in such a way that every penny of the massive development profits should come back to the community on whose behalf they were to be given away.

Such an offer would have to be worked out to the smallest detail, including immensely complicated questions of compulsory purchase compensation and planning law. We would have to assemble the necessary team of experts to carry the development through. They would have to be the top people in their field, so that there could be no question of Camden refusing our offer on the grounds that it was in any sense inadequate.

All this not to mention, of course, the fact that we would have to raise the necessary money—amounting to more than £20 million.

First of all, we enlisted the services of one of London's most influential estate agents, Richard Ellis, who agreed to act not only as our agents in the acquisition and eventual disposal of the development, but also as project managers in carrying it through.

At the same time, we asked Collins, Melvin, Ward—who put up the P. & O. building, the Commercial Union tower and Castrol House—to act as our architects. They agreed enthusiastically.

We were already in consultation with top planning counsel David Widdicombe QC, and one of the country's leading valuation experts, Dr Ernest Wood of Liverpool Polytechnic, on the intricate problems of planning and compensation.

Finally there was the little matter of £20-odd million, for which we approached City merchant bankers Edward

Rares. Within 24 hours, two of their directors had agreed in principle to raise the money. The security for this huge sum was, of course, to be the commercial price of the £40 million office block—made possible by Camden's grant of special planning permission.

By the end of May, through Claudius Properties, a non-profit £100 company enlisted for the purpose, we were ready to put to Camden what became known as 'the Claudius offer'. In outline, it was precisely the same deal as Stock Conversion's, except in two vital respects—that Camden would set its housing land free; and that all the development profits would be returned to Camden. These profits were then estimated to be at least £7 million—enough to buy land to house more than 2,000 people.

The 10-page Claudius offer was formally presented to Camden Council on 1 June.

The council was very properly cautious. But, over the next three months, a series of meetings and letters seemed to satisfy it. As council leader Frank Dobson put it: 'We are entirely happy that Claudius can fulfil its side of the bargain.'

Doubts, however, remained in Camden's mind; would the Secretary of State grant the compulsory purchase order that would be necessary to buy out Stock Conversion's considerable landholding on the site?

On this vexed issue, the council decided to take legal advice. The somewhat tentative reply from George Dobry QC was that, in the first place, the Secretary of State might not have the legal power to make the order; and that, in the second place, even if he did have the legal power, he probably would not use it.

What Dobry claimed to be 'the most important' evidence on the second point was

the language of a letter from the Department of the Environment to Camden in July, which he claimed to be 'discouraging'.

But we can reveal that on Dobry's all-important second point—that the language of the July letter had been 'discouraging'—we have now received specific confirmation from the Department that their letter intended no such implication.

As for the first point, within days of the receipt of Dobry's opinion, a QC retained by Claudius considered that the Secretary of State would, in fact, have the necessary power. Nevertheless, embarrassed by the apparently endless delays, and lacking the confidence to go ahead with a sound, if unorthodox, form of development, Camden fell back on Dobry's opinion to justify the decision which was about to be taken.

On Wednesday, 12 September, Camden's powerful Community Planning and Resources Committee decided by seven votes to two to go ahead with Stock Conversion—and not even to refer the decision for debate by the full council.

Over the next few days, all hell broke loose. On Friday, Nicholas Tomalin, a journalist living in Camden, served the council with a High Court writ in an attempt to halt the Levy deal. The same evening, the Hampstead Labour Party, one of Camden's three constituency parties, voted to oppose the scheme by an overwhelming majority. Three days later, the St Pancras North Labour Party followed suit.

Under the banner of 'Stop the Levy deal', incensed local opinion was mobilising in all parts of the borough. Within days, the campaign had won not only the support of dozens of local organisations

and thousands of individuals, but also powerful allies from outside Camden itself.

These included leading trade unionists such as Sir Sidney Greene, Clive Jenkins and Ray Buckton; Illyd Harrington, deputy leader of the GLC; and—perhaps most significant of all—Shadow Housing Minister Reg Ffrench, chief architect of Labour's new land policy. Rarely can any council leadership have been opposed on a local issue by such a phalanx of senior members of their own national party.

Last weekend, the pressure on council leaders from all sides finally became too much. After intensive lobbying at the Blackpool Conference and elsewhere, council leader Frank Dobson was able to put forward a compromise formula. On the one hand, the decision to go ahead with the Levy deal would be withdrawn. On the other, a deputation to the Secretary of State by two local MPs would discuss the matter, and a conference would be called with other Inner London boroughs and the GLC to discuss the whole relationship between developers and local authorities.

On Monday, in preparation for Wednesday's full council meeting, the Labour group agreed unanimously to back the Dobson formula; the Levy deal was to be shelved, and all alternative proposals would be explored.

As Wednesday's council meeting opened, a deputation was made by the recently-formed Tolmers Village Association, representing the 700 or more residents remaining in the area, and whose existence, until now, the council had scarcely taken into account. The deputation, which also represented the 'Save the Levy deal' campaign, handed over 8,000 signed cards demanding a halt to the Levy deal, at the same time announcing that within three months they would present the council with their own fully worked-out scheme for the future of the area.

have privately admitted to us that the time has come for the huge profits generated by planning concessions to go back to the community, and that Claudius-style schemes could well become a pattern for the future.

'We have now received letters and suggestions for this kind of scheme from all over London. And, in the next few months, we hope to be putting the first of these to the test.'

An hour later, council leader Frank Dobson rose beneath the arc lights of a BBC 'Man Alive' camera crew to announce formally that the proposal to go ahead with the Levy deal was withdrawn.

**WHAT ARE the wider implications of the Tolmers Square story?**

There can be no question that local authorities seriously underestimate their power in controlling the many major property developments in which they are directly involved. Even without a change in existing legislation to enable them to conduct commercial developments themselves, they already have power to ensure that every penny of the vast profits generated by planning concessions comes back to the community on whose behalf those concessions are made.

There is gathering evidence that the wider lesson of the Claudius offer on Tolmers Square has by no means fallen on stony ground. Even senior London property men

