22 APRIL 73

THE SUNDAY TIMES, APRIL 22 1973

Peter Dunne

Crumbling facades in Tolmers Square—soon to be replaced by another Euston Road tower block?

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Camden's crumbs from £20m land deal profit

By Christopher Booker and Bennie Gray

A MAJOR DEAL now being concluded by the London Borough of Camden has raised in an acute form the thorny question of whether local authorities—especially in London—get the best possible deal for ratepayers when they undertake joint ventures with property developers.

The deal with Joe Levy, one of the shrewdest property men in Britain, covers 9½ acres of run-down Georgian terraces, Indian restaurants, Victorian pubs and workshops around Tolmers Square, north of Euston Road. The deal would give Camden £3.4 million towards land for council housing.

In return, Mr Levy would build a tower block of offices worth more than £30 million in Euston Road, next to his own earlier, Euston Centre development.

Mr Levy's firm, Stock Conversion, began buying property in the Tolmers Square area back in 1962, when the land was worth about £50,000 an acre. When Camden Council cast its eye on the area for housing, land values had risen so much that it proposed to pay £300,000 an acre for the compulsory purchase of 4.7 acres in 1970. This was rejected by the Minister of Housing as excessive.

So Mr Levy suggested that Stock Conversion finance the compulsory purchase by Camden of the entire 9½ acres. One acre, fronting Euston Road, would go to Stock Conversion—leaving Camden 8½ acres for housing, for which they would pay no more than £200,000 an acre.

In return, Mr Levy would receive planning permission on his Euston Road frontage for 250,000 sq ft of offices and 125,000 sq ft of "mixed commercial use"—more than twice as much space as would normally be allowed. The result is likely to be yet another tower block for London rising to 400 feet or more.

On Camden's own reckoning of December 21, 1972 the value of Mr Levy's completed development will be £27.5 million.

But Camden's arithmetic, based on office lettings at £6 a sq ft and commercial rent at £1.75, is out of date already. Figures of £7 a sq ft and £2.50 a sq ft—as estimated by West End estate agents Gross, Fine, Krieger Chalfen—give a likely capital value of £33 million, representing a profit to Stock Conversion of nearly £20 million. In return, Mr Levy will have provided Camden with an effective subsidy of £3.4 million for housing land.

In a confidential report of December 21, 1972, Camden's Town Clerk referred to an earlier suggestion that Camden might share in these profits, and explained how this had already been flatly rejected by Stock Conversion because there would be "an initial loss to the company." Accepting this reasoning, the report goes on to recommend that the deal with Stock Conversion should go ahead without delay.

Perhaps recognising that Mr Levy's "initial losses" of income are of little consequence in comparison with his potential capital gain, Camden are now making a further bid for a minor share in the profits.

NOT ALL COUNCILS, however, are as modest as this. Hammersmith is at least certain to take some share in the profits from eight acres north of King Street redeveloped by St Martin's Property Corporation.

The deal, made in 1968, was that St. Martin's buy the site with compulsory purchase support from the council; that Hammersmith own the freehold and grant back to St. Martin's a building lease at a ground rent of £20,000 a year. St. Martin's are now putting up 300,000 sq ft of shops, 115,000 sq ft of offices and a 1,000-car, multi-storey carpark.

The cost, including land, will be £12 million. Estimated capital value at the end will be £27.5 million—more than £15 million above cost.

Hammersmith in return get £150,000 worth of concrete raft and the air space above for 223 council flats; the opportunity to widen a road; a ground rent of £20,000 a year; and possibly £112,000 towards a theatre to replace the Lyric, which was demolished to make way for the present scheme.

The council also get an undisclosed share (about 25 per cent) of "surplus profits"—above "a fair developer's return." This is not easy to value, but the various benefits to Hammersmith certainly will be worth less than £5 million, compared with the benefit to St. Martin's of more than £10 million.

Nevertheless, Hammersmith say they are "completely satisfied" with the King Street scheme—particularly as it has not involved them in any "real capital investment."

IN SOUTHWARK more than a mile of old commercial buildings along the Thames, above Tower Bridge, are likely to go. In return for higher rates and other planning gains, Southwark Council is prepared to see the area transformed by the highest concentration of new offices in London—despite the protests of residents and of the 4,000 people losing their jobs as traditional industries close.

An eight acre site immediately east of Blackfriars Bridge—formerly owned by the Port of London Authority, British Rail and others, and mainly occupied by warehouses—has, over four years, been acquired by Edger Investments, who in February were granted an office development permit for 564,000 sq ft.

Edger's plans for the site include a big office block, bullion strongrooms, and a 55,000 sq ft computer centre for Lloyds Bank—who also want 200,000 sq ft of offices.

This site was originally zoned only for commercial use and 4½ acres of "public open space." After prolonged negotiations, Edger has obtained the necessary permissions—in return for more than 100 riverside flats, a riverside walk and 2½ acres of open space. Undoubtedly the flats will add to London's housing stock, though as they will be sold for high prices they will hardly help Southwark's considerable housing problem.

The cost of land to Edger has been "well inside £5m." From the offices alone—assuming overall letting of £6 sq ft—Edger, a company currently valued by the Stock Exchange at only £12m, stands to make a profit of more than £40m.

Southwark will undoubtedly gain more rates from the occupiers. But in direct return for planning permission, the council will receive from Edger only a 2½-acre open space (considerably less than on the Development Plan) and a riverside walk.

IT IS NOW almost 14 years since a diffident LCC made the deal which produced Centre Point. Since then there have been many deals involving London's local authorities with property companies, leading up to the St Katharine's Docks scheme on which we reported last week. Yet it was only last year that any development involving the active co-operation of a local authority was officially called into question. This was on the relatively small scheme on 4 acres of Westminster City owned land at the top of Queensway, known as "Porchester Square."

In September last year two local ratepayers alleged that the Council had been negligent in granting an over-favourable lease to a private property company.

As a result, the Secretary of State for the Environment ordered an inquiry into how Westminster City Council invited Samuel Properties Ltd to develop "Porchester Square."

Samuel Properties have been granted a building lease at a rent of £45,000. Following negotiations in which the company complained that the original terms were "stiff" it finally gained permission for 10,000 sq ft of offices as well as homes, flats, shops a pub and a car park.

Samuel Properties, who hope to complete "The Colonnades" development later this year, stand to make a profit of nearly £1.5 million on the shops and offices alone and a further £2 million on the 237 residential units, which are to be sold at sums ranging from £25,000 to £50,000 each.

Says Mr John Hayes of local estate agents, T. H. Cartwright & Co., who was an expert witness at the inquiry: "If the land had been marketed correctly, a value of about £2 million could have been established. As it was, the rental achieved by Westminster represents a capital value of no more than about £500,000."

Mr Stanley Hills, the District Auditor, expects to give his verdict on the inquiry "sometime within the next month." Should he find against the City Council one of his duties could be "to surcharge the amount of any loss or deficiency upon any person by whose negligence or misconduct the loss or deficiency has been incurred."

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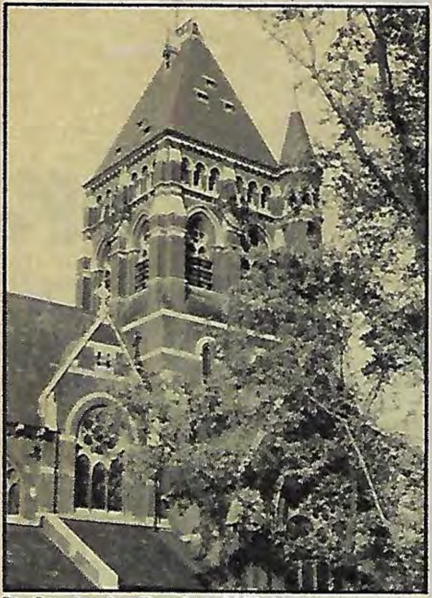
GOODBYE TO ALL THIS

All the London buildings shown here a
Goodbye London, a new book by Christopher



St Stephen's, Rosslyn Hill Undermined by works for nearby new hospital

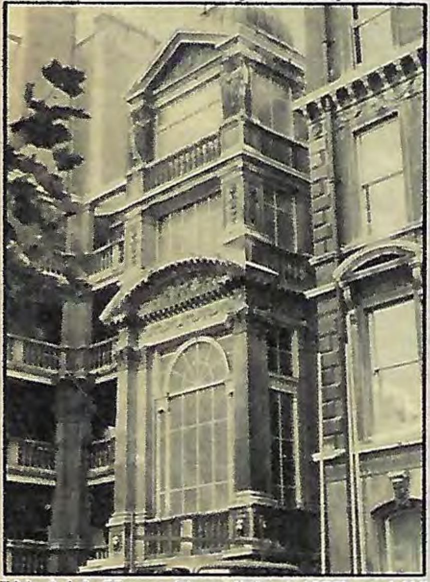
Corner of Queen Victoria St. and Poultry Two striking Victorian City buildings to make way for 19-storey office block

Ashburn Mews
Gloucester/Cro

Floral Hall, Covent Garden Included in plans for Opera House extension, although recently listed

Lyons' Corner House, Coventry St. Part of Stock Conversion's huge Trocadero site (Piccadilly scheme)

El Vino's Fleet Street's famou
office scheme by MEPC



Iddesleigh House (demolished 1972) and Windsor House, Victoria St., two of London's most individual Victorian office buildings. To make way for 230-ft. tower block

Norfolk Hotel, Surrey St. Threatened by Kings College extensions

Hyde Park St.
redevelopment

Gamages and half Hatton Garden To make way for huge

Houses on Kensington Gore, Queensgate To make way for

St Thomas's, Kingly St. This