

PRIME MINISTER

MEETING WITH PAUL REICHMANN: MONDAY 8 FEBRUARY

Mr Reichmann is coming to see you following an introduction via Alistair McAlpine. He is one of three brothers who run the North American property development, Olympia York, who are running the Canary Wharf operation.

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The meeting folder includes:

Flag A - A letter from Mr Reichmann summarising the issues he wants to discuss with you.

Flag B - A brief from the Department of the Environment, which also covers the specific transport issues Mr Reichmann has raised.

Flag C - A more detailed background brief by the Department of Transport concerning other transport issues in the Docklands.

Flag D - Some general background material both on Mr Reichmann personally and the Canary Wharf project which Olympia York have supplied.

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The main issue will be whether you are prepared to attend some kind of opening ceremony for Canary Wharf during the next month or so. The Department of the Environment advise you to accept. If you are minded to do so, you might like to do it on the basis that details and a precise date will need to be sorted out as part of your general diary planning.

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I gather Mr Reichmann is bringing with him a gift in the form of a model of the proposed Canary Wharf development.

We have allowed half an hour for the meeting.

*Phc G.*

PAUL GRAY

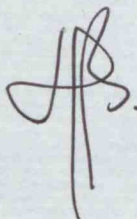
5 February 1988

MR GRAY

5 February 1988

MR PAUL REICHMANN'S MEETING WITH THE PRIME MINISTER  
AT 3.00 PM ON MONDAY, 8 FEBRUARY

As promised, I attach a briefing. Paul Channon's office tell me (ie both Special Adviser and Private Secretary) how personable Mr Reichmann is. They make the following point that this quietly spoken Orthodox Jew is not only the white knight who saved Canary Wharf with an injection of £3 billion, but is one of the richest Canadians, who through his property company Olympia and York owns a very substantial part of the office blocks in Canada.



HARTLEY BOOTH



CCBG  
B/WP

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

P A Bearpark Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
LONDON  
SW1A 2AA

5 February 1988

Dear Andy,

Thank you for your letter of 4 February. As requested, I attach briefing for the Prime Minister's meeting on Monday with Paul Reichmann.

I understand that Department of Transport are providing you with separate briefing covering their interests.

Yours  
A D Ring

A D RING  
Private Secretary

MEETING WITH MR PAUL REICHMANN, OLYMPIA AND YORK/CANARY WHARF  
MONDAY 8 FEBRUARY

Purpose of Meeting

1. Mr Reichmann is hoping the Prime Minister will agree to launch the building work on the Canary Wharf project on the Isle of Dogs at a ceremony on site. This would be timed to fit the Prime Minister's diary in the coming month or so. The Prime Minister is advised to accept the invitation.

Role of Canary Wharf

2. Canary Wharf is the anchor development for London Docklands. It could bring over 40,000 jobs to the area. The Government is determined to provide the necessary infrastructure to allow the regeneration of Docklands (see map).

3. For example, the Department of Transport will be spending £500 million to improve the trunk road network in East London and the LDDC over £200 million on new east-west and feeder roads. The Prime Minister could reiterate her own enthusiasm and that of her colleagues for the regeneration of Docklands and acknowledge the potential role of Canary Wharf.

Limehouse Link

4. The annex to Mr Reichmann's letter describes two Canary Wharf concerns. Detailed discussion on either would be difficult. A sketch map of the Limehouse Link is enclosed. It is in effect a LDDC private road. Present estimates suggest a mid-1992 completion, not 1993 as mentioned by Mr Reichmann. Sir Christopher Benson the LDDC Chairman saw Mr Reichmann last Monday, and accepts the Link road project must be managed with all the stops out. A full-time project manager to be appointed and target-time\heavy penalty contracts employed. Moving the criss-cross pattern of public utility services is a particular problem. DOE and DTp will work with LDDC to try to hasten the delivery of the Link scheme.

Docklands Light Railway Extension

5. Ministers decided that the extension of the DLR to Beckton (see map) dotted blue line) should be financed from the enhanced land values accruing to LDDC. Detailed proposals for this financing mechanism are now with Treasury officials. The Prime Minister could say a positive announcement of how exactly the Extension is to be financed could be made when she visits Canary Wharf or hopefully sooner.

6. The idea of a DLR link across to Lewisham is being developed by London Regional Transport. It is too early to say whether there is a firm case for this.

Conclusion

7. Mr Reichmann aims to strengthen the Prime Minister's enthusiasm for the Canary Wharf project, and to bring pressure on Departments and LDDC to go on trying harder. The Prime Minister could say she will use her visit to Canary Wharf to re-emphasise her personal commitment and that of the Government.

AAP/LRO/DOE

Telephone 211 5419

## BACKGROUND INFORMATION

Meeting with Mr Paul Reichmann, Monday 8 February

### Olympia and York

1. Mr Reichmann and his two brothers are the world's biggest property developers, the largest owners of real estate in New York City and control one-fifth of primary office space in Lower Manhattan. They own 50 million square feet in North America. Their efforts at diversification into Gulf Oil Canada and Hiram Walker were less successful with big debt burdens. Their firm, Olympia and York, finds no difficulty in raising money for its often counter-cyclical investment in property. See chronology enclosed.

### Canary Wharf

2. The O&Y Canary Wharf project is the anchor development in the Isle of Dogs. It brings confidence that should ensure the success of the London Docklands Development Corporation's plans. Major new developments on the Royal Docks should be decided in the summer.

3. O&Y are committed through its Master Building Agreement with LDDC to a first phase of 6 million square feet. In prospect, if more tenants can be found to give Phase I momentum, will be another 4 million square feet and in all 46,000 jobs. 5000 will be employed during building. There could be 20,000 indirectly employed servicing the eventual development.

4. Canary Wharf have a small office in London headed by Michael Dennis, a Canadian. It has appointed architects and is moving to engage management contractors. Access during construction and for the completed Phase I buildings at Canary Wharf is their main concern. Transport infrastructure was recognised at the outset as the key to regeneration in Docklands. The Docklands Light Railway will connect Bank to both the Isle of Dogs and beyond the Royals and City Airport to Beckton. The new Docklands Relief Road will bring traffic into the main employment centres (see map). Canary Wharf accept the plans but criticise the time likely to be taken on the planning procedures and construction.

# CHRONOLOGY: STEPS TO EMPIRE

*Olympia & York.*

- 1955-60 The Reichmann family arrives in stages in Toronto from Tangier. They start a tile importing business. This leads to commercial property development.
- 1965 The family buys Flemingdon Park, some 500 acres of mixed-use land in the northeast corner of Toronto, for around \$25 million, and moves into high-rise development.
- 1965-74 Olympia & York Developments, the family holding company, builds a significant real estate portfolio, as well as building and managing for others. The buildings it owns include:  
Place Bell Canada, Ottawa (1.5 million square feet)  
Toronto Star Building, Toronto (900,000 square feet)  
York Centre, Toronto (900,000 square feet)  
Bell Canada Data Centre, Toronto (400,000 square feet)  
Global House, Toronto (380,000 square feet)  
Texaco Canada Limited Head Office, Toronto (240,000 square feet)  
Mony Life Insurance Company of Canada Building, Toronto (220,000 square feet)  
Shell Canada Limited, Data Centre, Toronto (165,000 square feet)  
Province of Ontario, Ministry of Consumer and Commercial Relations, Toronto (120,000 square feet)
- 1974 O&Y starts building First Canadian Place. At 72 stories, its main tower is the largest building in the Commonwealth and the tallest bank building in the world.
- 1977 They buy the "Uris Package," eight Manhattan skyscrapers, for U.S.\$320 million. The transaction is subsequently dubbed "the deal of the century."
- 1978 They purchase 80 percent of Block Brothers, a Vancouver-based company specializing in residential real estate development and real estate brokerage. (They subsequently buy out the minority.)
- 1979 March. They take control of English Property, one of Britain's largest publicly owned real estate companies for \$157.3 million. This gives them a majority interest (although not control) in Trizec, a Canadian real estate company with assets of \$1 billion. Trizec is controlled by Edward and Peter Bronfman.  
They buy, for an unspecified price, just under 10 percent of Canada Northwest Land Ltd., a Calgary-based oil company.
- 1980 September. They buy 50.1 percent of petroleum and mining company Brinco for \$95 million.



The same month, they buy, for around \$33 million, 9 percent of Royal Trustco, the parent holding company of Canada's largest trust company, with more than \$26 billion under its administration, and the country's largest brokers of residential real estate. They subsequently take their stake up to 23.9 percent.

They win the contract to develop the 8-million-square-foot Battery Park City in Lower Manhattan, the largest private commercial real estate development in the world.

1981 March. Following a bidding war, they acquire 16.8 million shares of Abitibi-Price, the world's largest newsprint manufacturer, at a cost of \$537 million. (They subsequently increase their holdings giving a final cost — for 94 percent of Abitibi's stock — of \$560 million.)

April. They buy 20 percent of MacMillan Bloedel for \$214 million, and then tender it into Noranda's partial offer for MacMillan Bloedel. They are left with just under 10 percent of MacMillan Bloedel and a stake in Noranda.

They accumulate an initial stake in Bow Valley Industries of 5.3 percent for approximately \$31 million. (They will later take this stake to 10 percent.)

They buy 5.9 percent of Hiram Walker Resources for around \$130 million (again they will later increase this stake to 10 percent).

1983 They swap their 23.9 percent stake in Royal Trust for cash and shares in Brascan-controlled financial conglomerate Trilon. They receive approximately \$40 million in cash, an immediate 12.5 percent share in Trilon's common stock, and warrants and convertible shares that can ultimately bring O&Y's voting interest in Trilon to more than 20 percent.

1984 June. They buy 16.2 million shares of Cadillac Fairview (22 percent) for \$232 million.

1985 They buy 60.2 percent of Gulf Canada, Canada's second-largest integrated oil company, from Chevron for \$2.8 billion.

As part of the deal, they sell 90 percent of Abitibi-Price to Gulf Canada for \$1.2 billion, leaving the newsprint producer still effectively under their control.

1986 April. Gulf Canada, now under Reichmann control, pays \$3 billion for 69 percent of liquor, petroleum, and gas distribution conglomerate Hiram Walker Resources.

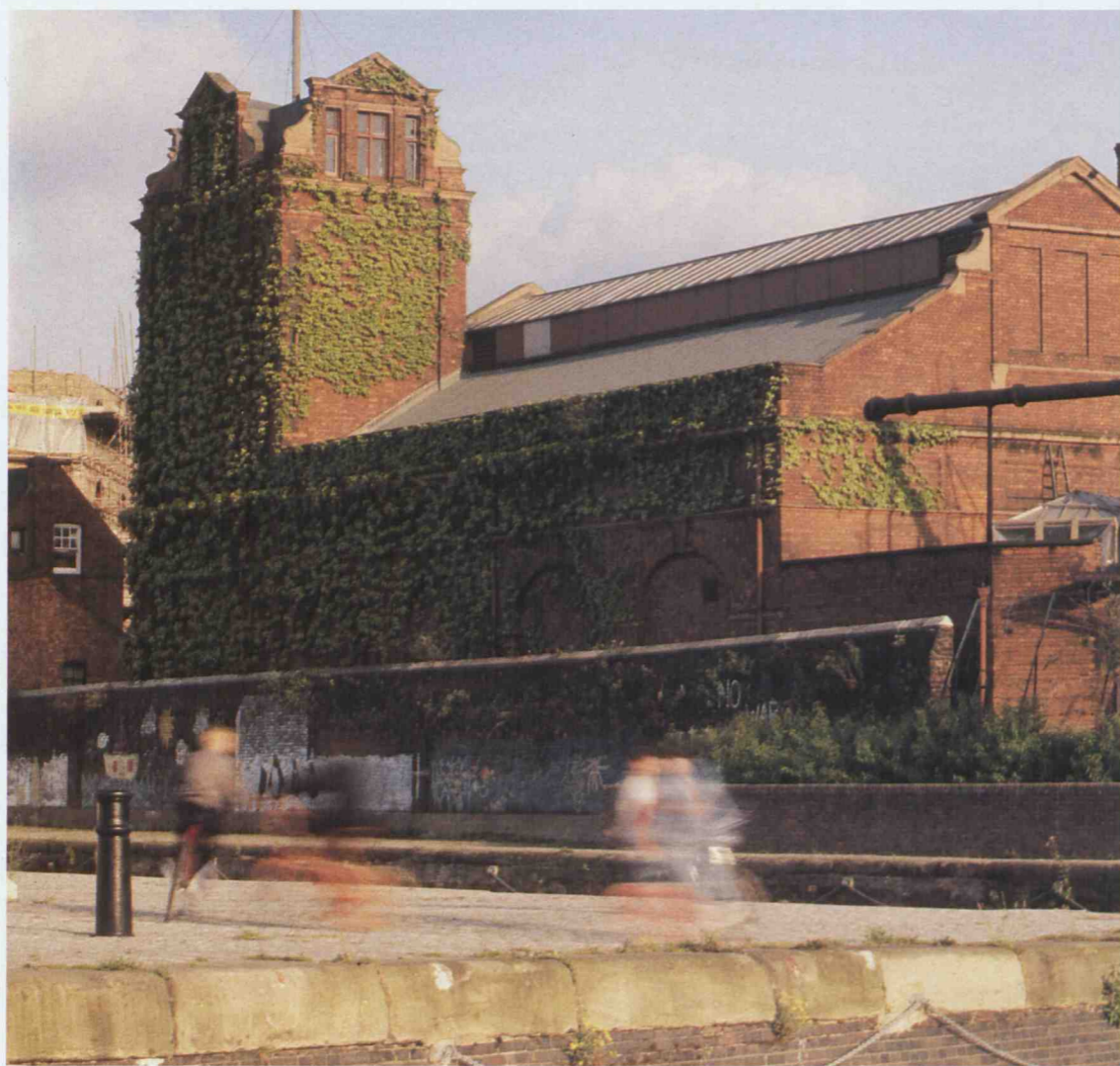
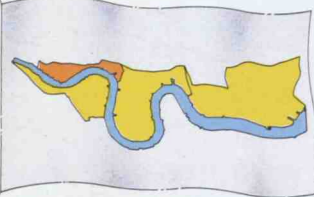
July. Interprovincial PipeLine swaps its Hiram Walker stake plus a package of cash and debentures reportedly worth \$1.1 billion for Home Oil. There is also a legal battle over the sale, for \$2.6 billion, of Hiram Walker's liquor subsidiary to Allied-Lyons PLC of England for \$2.6 billion.

PREM 19/2464

AREA HIGHLIGHT

# WAPPING & LIMEHOUSE

The stunning conversion of Tobacco Dock and the offer of an exciting new home to the Academy of St. Martin-in-the-Fields bring the past and the future dramatically together at Wapping.



London Hydraulic Power Company's pumping station, Shadwell Basin - new home of the Academy of St. Martin-in-the-Fields.

ONE of the most exciting projects of 1986-87 has been the progress of the Tobacco Dock scheme on Wapping Lane. The emphasis is on speciality shopping - a sort of Covent Garden plus - with the idea of attracting trade from all over London. In addition to the shops there will be pubs and restaurants, in all providing a total of 260,000 sq ft (24,000 sq m).

Demand for space has been so strong that construction of phase two, originally scheduled to start at the beginning of 1988, has been brought forward. The old grade I listed dock building is arguably one of the finest in the whole of Docklands. The new development will bring it back into use, restored to its former glory, after many years of neglect.

A major coup for the Corporation has been attracting the internationally acclaimed orchestra

of the Academy of St Martin-in-the-Fields. The Academy is moving to the south east side of Shadwell Basin, to the London Hydraulic Power Company site which, with the assistance of the Corporation, is to be refurbished at a cost of £5 million. Its building will be open to the public, who will be able to watch the orchestra rehearse. There will be an education programme run in conjunction with local schools and community groups.

The area will thus be provided with a unique cultural asset and good use will be made of a fine listed building which has been lying empty for 10 years. From the Academy's point of view, the new facilities will be a great improvement over the somewhat makeshift arrangements it has had to endure. The best of both worlds will have again been achieved.

as a new gateway to Europe.

It has been designed to handle approximately 1.2 million passengers a year and 120 aircraft movements every weekday. It is estimated that two thirds of this business will be international and one third domestic.

The 762-metre runway lies on the central quay between the Royal Albert and King George V Docks, while the terminal building is adjacent to King George V Dock. There is initial provision for seven aircraft stands, with space to add three more.

The terminal building is so designed that departing passengers will arrive at the main south door, where they will immediately find the check-in desks. The usual facilities and shops will be available in the main concourse, while on the upper level there will be a restaurant with magnificent views of the dock.

Once through the security check, passengers will go to either the domestic or international departure lounges and await their final flight call. Duty-free goods will be on sale in the international departure lounge. Because the terminal is much smaller than those at the major London airports, the walking distances involved are shorter and therefore much less taxing, leaving travellers more relaxed when they reach their destination.

The arrival of London City Airport is likely to lead to a revolution in European air travel habits. Its success could well prove a guiding light and hasten the development of similar projects now

planned for other European cities. Already sites in Amsterdam, Glasgow, Manchester, Paris and Zurich are being examined.

It is not just City workers who will benefit from the aircraft. Anybody living on the east side of London, in north Kent and the Medway towns, or in Essex, should find London City Airport much handier to use than either Gatwick or Heathrow for the short European hop. With the opening of the new link road to the M11, London City Airport will be within 30 minutes by road from Stansted which is being expanded and will offer complementary inter-continental services.

Initially two operators have been granted licences to use London City Airport: The Plymouth-based Brymon Airways, in which British Airways has a substantial stake, and a newly formed subsidiary of British Midland Airways, Eurocity Express. Both operators have licences for routes to Amsterdam, Brussels and Paris. Brymon will also fly to Plymouth and Newquay, Eurocity Express to Rotterdam, Düsseldorf, Guernsey, Jersey and Manchester. Other operators, including continental European airlines, are known to be interested.

London City Airport will create up to 400 new jobs within the Docklands area. In addition to engineering and maintenance there will be aircraft and passenger handling, airport operational functions, while other employment opportunities will flow from catering and shopping, car rental and hotel reservations, banking and executive services.



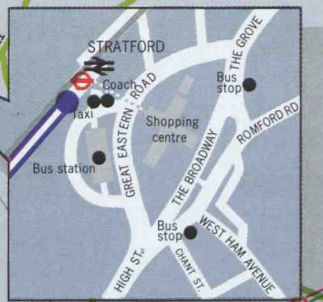
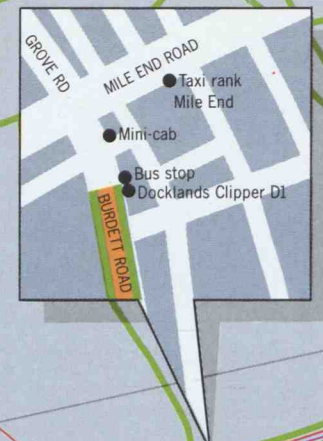
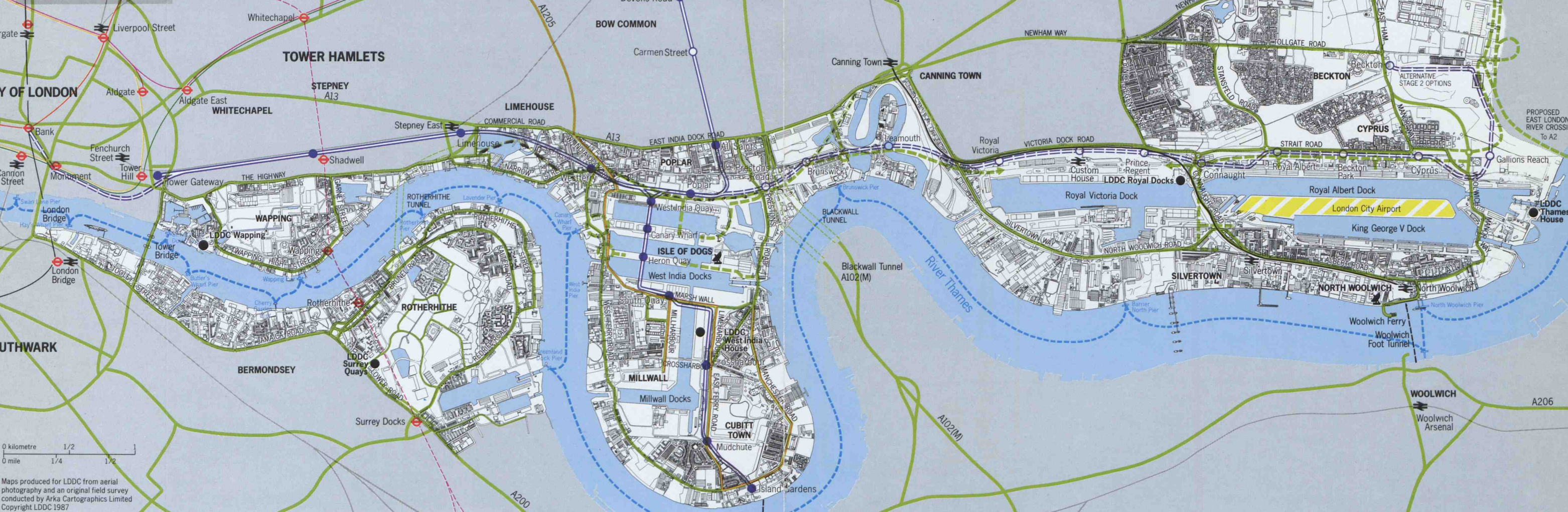
Above: Brymon Airways and Eurocity Express aircraft in front of the terminal buildings.



Dash 7 on final approach.

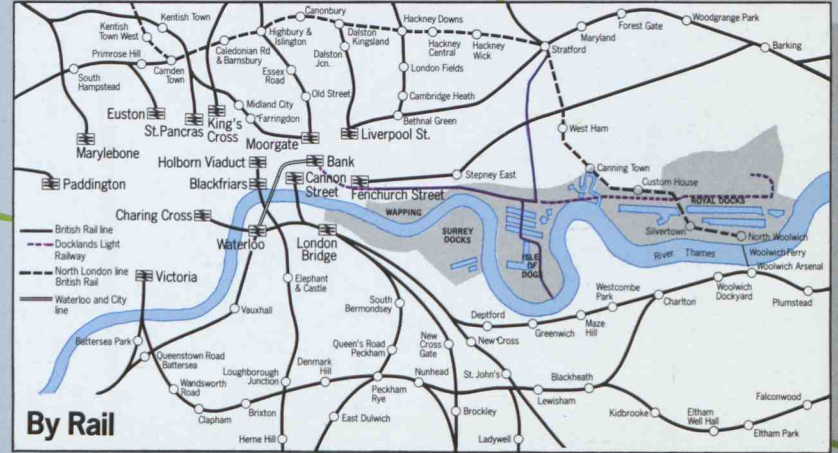
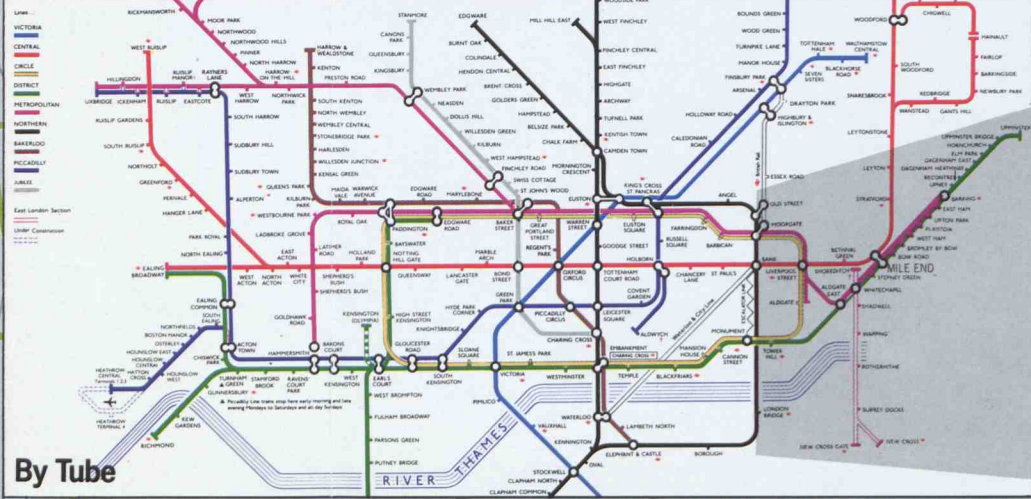
# Communications

- KEY**
- Major roads
  - Proposed major roads
  - Docklands Clipper D1 bus route
  - London Transport Underground stations
  - British Rail stations
  - British Rail lines
  - Docklands Light Railway lines and stations
  - Docklands Light Railway Stage 2 proposals
  - Proposed river services
  - Satellite stations
  - London City Airport
  - London Transport Underground lines—
  - Central
  - Metropolitan
  - District
  - Circle
  - Northern
  - East London Section



0 kilometre 1/2  
0 mile 1/4 1/2

Maps produced for LDDC from aerial photography and an original field survey conducted by Arka Cartographics Limited Copyright LDDC 1987



LIMEHOUSE

LIMEHOUSE LINK

DLR

WEST INDIA DOCK ROAD

WEST FERRY

CANARY WHARF

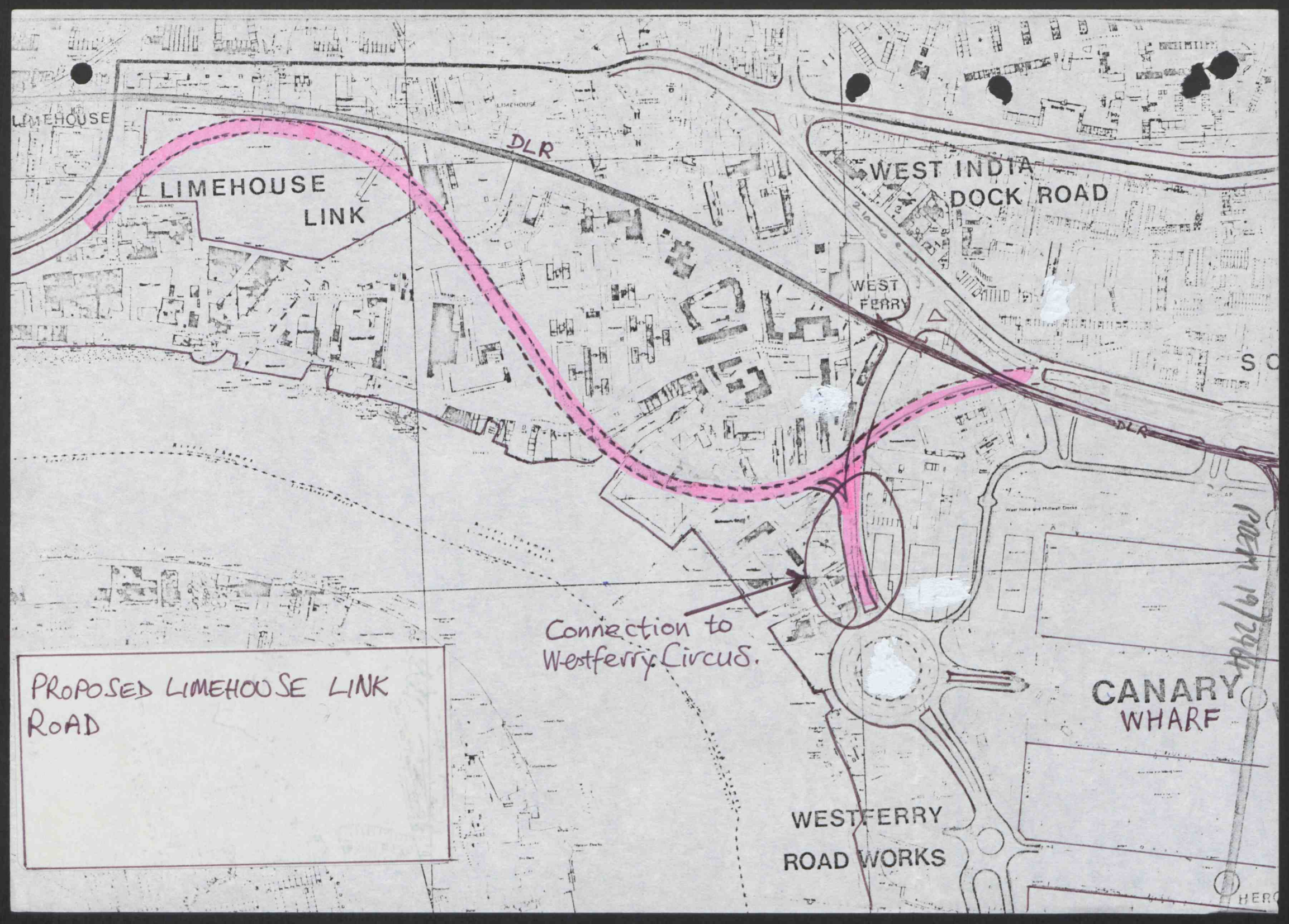
WESTFERRY ROAD WORKS

PROPOSED LIMEHOUSE LINK ROAD

Connection to Westferry Circus.

PLAN 19/2004

HERO



PREM 19/2464

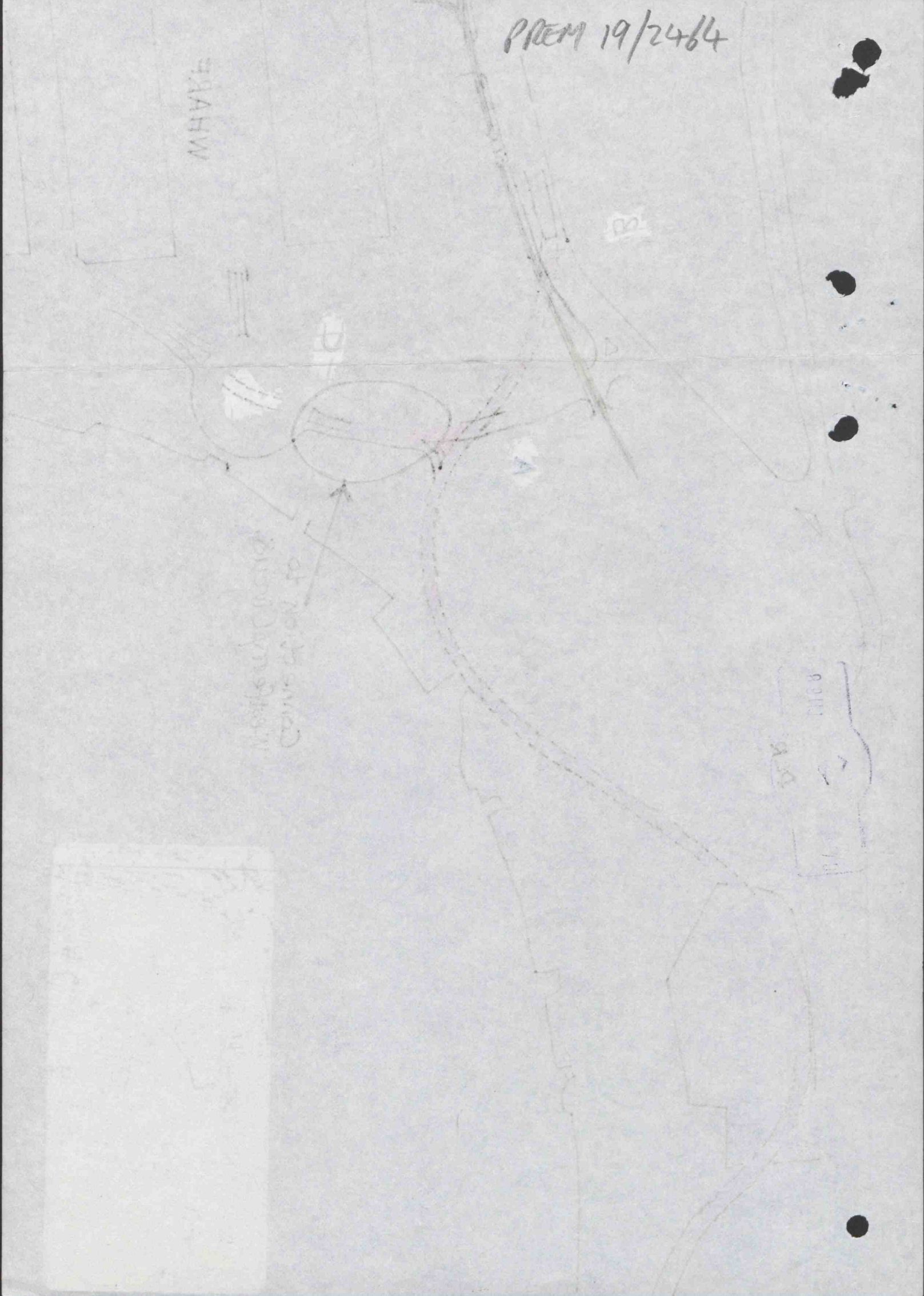
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North of road  
conversion to

03  
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A  
OLYMPIA & YORK

R4/1

4th February, 1988

The Prime Minister  
10 Downing Street  
London SW1

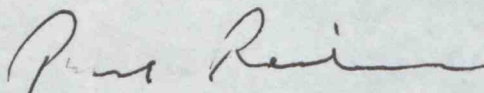
CRAWFORD CREST

Dear Prime Minister,

In advance of my meeting with you this coming Monday, 8th February, I thought you would find it helpful to see a short note about the issues involved in the Canary Wharf project.

I am very much looking forward to seeing you on Monday.

Yours sincerely,



Paul Reichmann

## THE CANARY WHARF PROJECT

### 1. CURRENT STATUS OF THE PROJECT

The project will produce 10 million square feet of offices, shops and hotels in 22 buildings on a 71 acre site. (By way of comparison, the City has about 65 million square feet of offices).

Construction of the first phase of 6 million square feet will begin next month. Initial occupancy is expected in the second quarter of 1990. Morgan Stanley and Credit Suisse First Boston will occupy the first two buildings. Discussions are under way with a number of other prospective tenants.

### 2. WHY OLYMPIA & YORK BECAME THE DEVELOPER

Olympia & York is one of Canada's largest corporations in energy, forest products and financial services and the world's largest developer and operator of high quality office accommodation. In addition, the company has worldwide investment interests in many major international companies.

When Olympia & York was first introduced to the project, it was interested because of the obvious imbalance between the demand for office space in the City and West End and the supply of space being produced for that demand. During the 1980's rent has tripled as the result of that imbalance.

We felt that a satellite development 2.5 miles from the City would be needed to accommodate that demand.

### 3. HOW OLYMPIA & YORK NOW SEE THE PROJECT AND ITS SIGNIFICANCE

Despite October 19th (the Stock Exchange crash) and the slow down in the growth in financial services, our expectations for Canary Wharf have become greater than ever. It is clear to us that a substantial regeneration of the UK economy in the general commercial and service sectors is under way throughout the country, (with great impact on London). This will lead to substantial employment growth and will require an increase in office accommodation equal to two thirds of office space in the City today. That space will have to be modern, efficient and technically up-to-date.

That volume of growth and demand has caused us to change our view about Canary Wharf. We now believe that a new third business centre will be necessary, paralleling the City and West End. The new district will be in the Docklands and Canary Will will be its heart.

By virtue of its quality, efficiency and public amenity, its unprecedented scale and integrated design, it will act as a catalyst for further re-development in the existing business centres. As businesses come to appreciate the quality of space which can be made available, the old standards will not be acceptable. Canary Wharf will become the standard which they will expect wherever they locate their offices.

As a result, we have both upgraded the project design and quality, and accelerated our development pace to create the necessary "critical mass" to launch that third business district.

4. HOW THE GOVERNMENT CAN HELP

For the business community to believe that this third business district is being created, they must understand and accept both its scope and attractiveness and that the necessary public infrastructure, particularly transportation, will be provided.

We will commence construction of the first phase of 6 million square feet next month. It will be substantially complete in three years.

Notwithstanding this Government's considerable achievements in harnessing peoples' energies and motivating them to compete successfully in the modern world, conservative attitudes prevail. There is skepticism about our ability to achieve change on this scale. We have assembled the necessary resources, both human and financial to be confident of our capability to achieve that goal. Beyond resources, it is simply a question of effort, energy and the will to achieve.

We have not, however, been able to put a dent in the serious concern which we find about transportation, a matter beyond our control. An expression of confidence by the Prime Minister in the emerging business district in the Docklands and a re-affirmation of the Government's commitment to the major programme of regeneration within East London and of the specific steps to give effect thereto would be most helpful.

We would be very grateful if the Prime Minister would attend an event of a kind and at a time suitable to her to demonstrate that commitment.



## APPENDIX

### SPECIFIC TRANSPORT ISSUES

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#### Limehouse Link

This remains the critical "missing" link on road access from the City to Docklands - it is an extension of the four lane highway which runs east from the Tower of London. The link extends the highway to the Isle of Dogs, thereby avoiding major congestion points, and will link ultimately across the River Lea to the Royal Docks, the City airport and into the A13 and motorway grid.

By normal standards the Limehouse Link will not be completed until 1993 at the earliest. If Docklands is to be a success, it must be completed at least 2 years earlier. In order to achieve this, arrangements need to be made to speed up the process of bureaucracy.

#### Docklands Light Railway Extension

Olympia & York have contributed approximately £70 million towards the £150 million programme to extend the Docklands Light Railway into Bank tube station thereby linking it into the underground system.

A Private Bill is currently before Parliament seeking approval for extension of the line east to Beckton and furthermore the Department of Environment, with the London Docklands Development Corporation (LDDC), is reviewing the possibility of extending the line under the river to Lewisham to link the system into the British Rail South East network.

The Department has indicated that monies for the Beckton extension can be provided by the LDDC against the enhanced value of the land within its catchment area.

However, there is a widely held view that funds may not be forthcoming. A strong statement to the contrary would be of immense help.



file DTS

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

NO. Acc. 4 February 1988

Further to our telephone conversation, I enclose a letter which arrived from Paul Reichmann this afternoon. I should be grateful for a short note by close of play tomorrow which I might put into the Prime Minister's box over the weekend.

I am copying this letter to Neil Hoyle (Department of Transport) as I know that he has it in mind to produce a short brief as well.

P A BEARPARK

Alan Ring, Esq.  
Department of the Environment

Alan

Olympia & York  
Canary Wharf Limited

REFER ALL CORRESPONDENCE TO:  
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London W1Y 3HD

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OLYMPIA & YORK

R4/2

February 4, 1988

Mr. Paul Gray,  
Private Secretary to The Prime Minister,  
10 Downing Street,  
London  
SW1A 0AA

Dear Paul,

Re: Paul Reichmann's Meeting  
February 8, 1988

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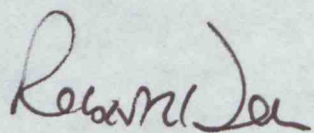
Mr. Reichmann has forwarded a letter with a short note to the Prime Minister in anticipation of his meeting on Monday.

I thought it would be useful to provide you with further background information both on the project and on Paul Reichmann and Olympia & York. These are attached.

Please call me if you require further clarification.

Yours sincerely,

OLYMPIA & YORK CANARY WHARF LIMITED



ROBERT L. JOHN

Encs.

# The New York Times

SATURDAY, APRIL 18, 1987

## Olympia & York Holdings

New York properties account for 24.1 million of the company's 38.4 million square feet of rentable property and 2.7 million of the 4.9 million under development. Thousands of square feet.

Property New York	Date Acquired	Complete	Space Rentable	Space Due
1. World Financial Center Building A				
One WFC				
Oppenheimer Tower				
Dow Jones Building	12/85		1,461	
Building B	9/88			2,200
Merrill Lynch				
Building C	12/85		2,300	
Building D	1/87		1,600	
2. 237 Park Avenue		1981	1,142	
3. 245 Park Avenue	1977		1,624	
4. 320 Park Avenue	1977		664	
5. 425 Lexington Avenue		Fall '87		650
6. 1290 Avenue of the Americas	1977		2,000	
7. 60 Broad Street	1977		1,007	
8. 25 Broad Street	1983		1,360	
9. 55 Water Street	1977		3,565	
10. 59 Maiden Lane	1981		1,047	
11. One Liberty Plaza	1984		2,125	
12. 2 Broadway	1977		1,576	
13. 31st Street Project				2,000

Source: Company Reports



## Building a Manhattan Empire

By ALBERT SCARDINO

Olympia & York, the giant Toronto-based real estate company, came to New York 10 years ago to see the elephants and ended up buying the circus. Now the quietly effective Canadians, already the largest commercial landlord in New York, are negotiating to capture another mammoth chunk of the Manhattan market as well.

After months of discussion, Olympia & York is on the verge of signing a deal with Gulf and Western Inc. to develop a gigantic office and entertainment complex on the far West Side of Manhattan near the Jacob K. Javits Convention Center.

The \$2.5 billion project could eventually include at least eight million square feet of office space and a new Madison Square Garden, according to real estate developers familiar with the negotiations. If a deal emerges and survives government reviews, and if the market stays strong enough to absorb the space, the center would be larger than either Rockefeller Center or the World Financial Center. It could also transform a rundown area of industrial lofts and rail yards into one of Manhattan's most active commercial neighborhoods.

The company already holds 24 million square feet of office space in Manhattan — conservatively valued at more than \$8 billion — more than twice as much as its nearest competitor. Its jewel is the glittering World



The New York Times/Sara Krulwich

Olympia & York's World Financial Center, from bottom left: Merrill Lynch headquarters; American Express (pyramid top); Merrill Lynch building (dome top), still under construction, and, bottom right, Dow Jones & Company (trapezoid top). The site covers about 14 acres.

# Olympia & York Builds an Empire in Manhattan

Continued From First Business Page  
Financial Center at Battery Park City, a deal it swept out from under the noses of other developers in 1980 by confidently putting up \$400 million in cash and guarantees.

In the company's home base of Toronto, Olympia & York dominates the market with First Canadian Place, a downtown office complex of five million square feet. The center contains about 10 percent of all the office space in Toronto.

Olympia & York does more than just build on a grand scale. It also borrows that way. The company's financing needs grew so large that it was forced to invent a new securities market by creating mortgage-backed securities for commercial real estate. It also scored another first in its industry by tapping the Eurobond market for funds.

## Entered Market in '77

Olympia & York first captured the attention of New York's tightly knit club of real estate developers in 1977 when the Canadians put down \$50 million in cash and took over \$270 million in debt to acquire their first New York properties. A collection of undistinguished office buildings, they had been on the market for months.

"The buildings seemed very inexpensive to us, and we couldn't see how the city's economy could get any worse," said Michael Dennis, the executive vice president of the company's New York operation.

Neither did the Canadians foresee how fast it would get better. In 10 years, those buildings have grown in value tenfold as the financial services industry has gobbled up every foot of space available at rents four times or more the level that prevailed at the time of the purchase.

If Olympia & York's New York operations were an industrial company, they would rank among the 50 largest corporations in North America in terms of assets. As a real estate organization, it ranks in the second tier nationally, behind only the institutional giants such as the Equitable Life Assurance Society, Metropolitan Life and Prudential.

## No Rival in the City

But even the biggest companies do not rival Olympia & York in New York. Its holdings in Manhattan alone, in addition to the four buildings of the World Financial Center, include six skyscrapers in the financial district and five more in midtown.

According to real estate analysts, the company's New York properties churn out at least \$750 million a year in rents, again a conservative guess. The company will not say how much of that is profits, and, being privately held, it does not have to.

"There have been two great real estate deals in the history of New York," said Meyer S. Frucher, chief executive of the Battery Park City Authority, the state agency that owns the land under the World Financial Center. "The first was when the Dutch bought the island of Manhattan. The second was when the Canadians bought the island again."

Large as the New York holdings are, they represent only half of the parent company's total assets. But it is the stunning growth since 1977 of the value of the New York real estate — and of the rents that flow from it — that has provided the capital for Olympia & York to diversify into a variety of other industries, from paper to oil to liquor.

Paul and Albert Reichmann, the brothers who now run the company, fled central Europe with their father

and mother at the outbreak of World War II, just ahead of the invading German armies. They landed first in Paris, then Morocco before settling in Toronto.

After the war, the family founded a ceramic tile importing business that has evolved into one of Canada's largest building supply companies, run by another brother, Ralph. But it is the real estate portion of the family holdings, particularly the New York properties, that has come to dominate the company.

As the empire has grown, the Reichmanns have come to rely more

## The Canadian company has become dominant in the city in just 10 years.

and more on a cadre of managers, all of them just on either side of the age of 40, to handle the day-to-day business in New York. Like the Reichmanns themselves, the New York team operates efficiently and deferentially, with spectacular results.

### Keeping an Inventory

"You have to think of us as an industrial company to understand our size and our approach to the business," said Mr. Dennis, the lanky, slightly disheveled Canadian who heads Olympia & York's New York team. "We manufacture office space and provide it to a rapidly growing market, the financial services business."

Like a manufacturing business, Olympia & York likes to have space in inventory to offer to a prospective tenant. Few other real estate developers see the business that way. For them, vacant space is a drain on profits. They tend to acquire space — by building it or buying it — only when they have a tenant in hand.

Maintaining the growth rate of the company, from a \$320 million portfolio of New York real estate in 1977 to more than 25 times that today, requires the continuing participation of the Reichmanns in major decisions. Paul Reichmann, particularly, has shown a knack for contrarian thinking that has led his company in directions others later came to follow.

To convince American Express and Merrill Lynch & Company to move to the World Financial Center, the Reichmanns offered to buy their current headquarters buildings. In essence, Olympia & York agreed to buy five million square feet of space in order to lease out eight million feet. If the economy had turned down, Olympia & York might well have found itself holding a large block of vacant space in the financial district.

### Some Called It a Mistake

"A lot of people in the real estate business thought they had really gone out on a limb when they bought old buildings to get new tenants," said Larry A. Silverstein, who is still searching for tenants for his own building at 7 World Trade Center long after Olympia & York rented out its buildings across West Street, "What's more, the prices they paid were very high."

But the critics were wrong. With many major Wall Street firms showing compound annual growth rates of 20 percent or more since 1980, Olympia & York found heavy demand for everything it had to offer. Mr. Silver-

stein said, "Nobody else in the market had that kind of courage and that kind of depth of financial resources."

It was the company's willingness to gamble on a gigantic scale that won it the designation from New York State's Battery Park City Authority in 1980 to build the World Financial Center.

Olympia & York made a commitment to build all four towers in the complex, nearly eight million feet, while other developers wanted to test the market with one building first, then add another after it had been leased.

"Building one, then waiting for the market, would never have worked," Mr. Dennis said. "It would have been a single tower out in the middle of this vast landfill. It would never have attracted a leading company as a headquarters building."

Others involved in the downtown market thought Olympia & York would spend a long time finding tenants for the eight million feet the project would contain. But in view of the rate that the overall New York market was growing, Mr. Dennis believed that the eight million feet could rent quickly. "We saw it as a small part of New York's overall market of 200 million feet," he said, "not the smaller downtown market of 65 million."

Mr. Dennis joined the company in 1979, after four years as the city of Toronto's commissioner of housing. As the senior executive of one of New York's largest corporations, especially one in an industry so intimately involved in the political system, the 42-year-old Mr. Dennis might be expected to be a regular at social, cultural and political gatherings in the city. But Olympia & York, in contrast to many other developers, is not active in cultural or philanthropic affairs in New York. While many New York developers have been major campaign contributors to political candidates, Olympia & York has made only token donations.

"We have always found that satisfying the concerns of the planning departments and the community boards are better ways to make a project move along," said Mr. Dennis, whose staff includes two former chiefs of planning for the Toronto city government. But in fact the company has had little occasion to confront either the city bureaucracy or community groups.

### Gave State a Guarantee

At its biggest project, Battery Park City, the company took the unusual step of agreeing to guarantee the lease payments due the state for the land under the center. The guarantee eliminated the state's fears that if the project ran into financial trouble, and the developer defaulted, money would be lacking to pay off the bonds sold to build the landfill.

Paul Reichmann "was the first person to understand that what I was most concerned with was a bond workout, not a real estate deal," said Richard A. Kahan, chief executive of the authority when the World Financial Center deal was negotiated in 1980 and now a private developer. Mr. Kahan said, "We wanted to protect the state's credit, not joint-venture a development."

Noting that such guarantees are the rule rather than the exception in Canada, Mr. Dennis said, "We were used to putting the company behind our projects."

Not that Olympia & York is always so willing to shoulder such risks — especially if it can figure out a way to

pass the buck to others. Take the new type of mortgage-backed securities that Olympia pioneered to help finance its aggressive expansion.

In 1983, Olympia & York obtained a \$220 million mortgage on one of its buildings, one of the largest mortgages ever for a single building. But Paul Reichmann decided that the company could raise even more money, obtain better rates and reduce its risks by borrowing an idea from the single-family-home market: mortgage-backed securities.

Breaking up a large financing into much smaller pieces that investors could easily trade had two benefits, he concluded. Such securities would not only enable Olympia to tap a wide range of investors for funds but would also eliminate the company's potential liabilities by making the securities "non-recourse" loans: The securities' holders could take over the buildings in the event of default but could not hold Olympia & York itself liable.

Working with Salomon Brothers Inc., Olympia created a \$970 million blanket mortgage on three of its office buildings and in 1984 offered the first batch of such securities to the public.

Although Olympia & York has stumbled in some of its natural resource ventures in Canada, the company so far has ridden the longest and strongest bull market in New York real estate without so much as a rough bounce. If the company has a weakness, it is that the imaginative financings have run its debt up to more than half of its assets in the city, a level that some other major developers are hesitant to approach.

The Madison Square Garden project would tax the company's capacities again. The first phase alone would include 4.5 million square feet of office space on the site of the existing Garden, nearly \$1.5 billion worth of construction.



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

P A Bearpark Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1A 2AA

5 FEB 1988

Dear Andy

CANARY WHARF

*Paper with PAB?*

Thank you for sending me a copy of your letter of 4 February to Alan Ring at DOE.

I attach a brief on Canary Wharf Transport issues for the Prime Minister's weekend box.

*A copy of this letter goes to Alan Ring.*

*Yours ever*

*Nt*

N T E HOYLE  
Private Secretary

CANARY WHARF  
TRANSPORT ISSUES

Mr Paul Reichmann may raise the following points. A line to take is given for each.

**ROADS**

**Insufficient capacity for new traffic is being provided.**

The Department of Transport has more than £500 million worth of schemes in its Trunk Road programme aimed at improving access to East London and Docklands. These include the recently opened South Woodford to Barking Relief Road, and the Hackney-M11 Link Road and East London River Crossing (Inspector's Reports on both recently received.) (Map enclosed.)

LDDC plans to spend about £200 million on new roads within Docklands. (Map enclosed.)

The Department is currently considering several new schemes for the programme to improve connections from Docklands to the A13 and other points along the A13. Hope to announce in month or so.

These amount to a substantial increase in capacity to Docklands, and should cope with currently forecast demand.

**The road schemes will not be in place in time.**

LDDC plans to complete all of its schemes in the early 1990s.

The Department's Trunk Road schemes are subject to more statutory procedures. Those being developed now should be in place by the mid-1990s. New entries may take longer, but every effort will be made to process them as quickly as possible.

LDDC estimate the Limehouse Tunnel will not be complete until 1993. It must be completed at least two years earlier.

Matter for LDDC. They estimate:-

1988                      | - Publish Compulsory Purchase Orders  
                             | Public Inquiry  
                             | Receive Inspector's Report

Late 1988/Early 1989 - Start Construction  
(3 1/4 years at best)

Mid 1992/Early 1993 - Open Tunnel

Complex operation involving demolition of flats, construction of tunnel through Limehouse and in Limehouse Basin, diversion of services and fitting out tunnel with mechanical and electrical equipment. Most unlikely to reduce below 3 1/4 years. LDDC appointing manager to co-ordinate. May be scope for target-time contracts. DTP's Traffic Management Working Group (see below) can look at how best to handle traffic before tunnel is open.





- reliability;
- capacity;
- Canary Wharf Station;
- future extensions to the DLR.

### DLR Reliability

There have been some problems with the reliability of the railway in its early days of operation since August 1987. These problems include the operation of lifts and ticket machines.

Problems of this kind are inevitable in a technologically advanced system of this kind. The DLR management and the contractors (GEC Mowlem) have been tackling the problems vigorously and the reliability of the railway is improving.

### Capacity

Mr Reichmann has expressed concern that existing forecasts of employment in the Isle of Dogs may be too low and that this will mean future problems on the capacity of the railway.

LRT are currently reviewing this with LDDC.

The City extension of the DLR was designed to cope with LDDC's assessment of 39,000 non-Canary Wharf jobs in the Isle of Dogs by 1993/94. Under their agreement with Olympia and York, LRT will build the railway in two stages: a single track to Bank 34 months after the start of construction, and a double track after 42 months. A third level of enhancement is available if the Canary Wharf development proceeds to 10m sq ft, or if demand elsewhere justifies it.

### Canary Wharf Station and DLR Up-grading

The station at Canary Wharf will be built, to the design of Olympia and York, as an integral part of the Canary Wharf development. LRT have been waiting since August for instructions from Olympia and York on the station design and this is beginning to cause delays in the project. Olympia and York are now proposing that this work should be taken out of the contract and handled by them. LRT are considering this.

The extension to Bank requires the up-grading of the initial railway, including improvements to signalling, strengthening of structures and lengthening of platforms to allow triple length trains to be run. Mr Reichmann is concerned at the disruption this will cause.

Some disruption is inevitable, but this will be kept to a minimum by phasing the up-grading work and restricting any necessary closure of the railway to weekends.

### Extensions To The DLR

A private Bill dealing with the extension of the DLR eastwards

via the Royal Docks to Beckton is going through its stages in Parliament. Committee stage is likely to take place in March. The project will be entirely funded by the LDDC from the profits of land sales arising from the provision of the railway.

Mr Reichmann wants a strong statement to counter views that funds may not be forthcoming.

Matter for DOE. See their briefing note.

Olympia and York want the DLR extended across the river to Lewisham.

The cases for further extensions to the railway are being considered. Most promising at present is the extension to Lewisham. Olympia and York are financing some of the planning work.

E. B.  
Paul REICHMANN

14/1

BIF

London

8th Feb - 1500.

NOTE FOR FILE

The contact in London for arranging this meeting is Liz Freeborn (255 1100).

They will write

to let us know if this is confirmed with PR.

[Explained to Liz Freeborn that there was no question of giving a date for the Canada brief until after the meeting + that we had only once before looked at the diary at a diary [tr.]

TG

19/1

PAB

13 January 1988



File 86

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

12 January 1988

I enclose a copy of a letter the Prime Minister has received from Paul Reichmann. I know that she would very much like to see him and I do indeed expect to arrange an appointment in the next week or two. Could you please let me know by close of play on Thursday 14 January if there is any departmental objection to her meeting.

I am copying this letter to Stephen Ratcliffe (Department of Trade and Industry) in case he has any views. Telephone calls will suffice in both cases.

(P. A. BEARPARK)

Alan Ring, Esq.,  
Department of the Environment.

*No objections*

*ds*



1/10

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

7 January 1988

In the Prime Minister's absence abroad, I am writing on her behalf to thank you for your letter of 5 January. I shall of course place this before her upon her return from Africa and will be in touch with you in the near future.

TESSA GAISMAN (Mrs.)

Mr. Paul Reichmann.

# OLYMPIA & YORK

Seep. 2.

R6/1

Paul Reichmann

January 5, 1988

The Right Honourable Mrs. Margaret Thatcher MP  
The Prime Minister  
10 Downing Street  
London SW1

Dear Prime Minister:

As you may know, a little under six months ago Olympia & York Developments Limited assumed responsibility for the design, construction and eventual operation of Canary Wharf.

My Company is particularly pleased to be involved with this project, heralding as it does a major revitalisation of the heart of one of the world's great cities. It also reflects, despite the vagaries of the world's stock markets in recent weeks, a new confidence in the future of Britain which I can say without flattery that only you can take credit for.

During the last six months I and my colleagues have spent many long hours in planning a fundamental redesign of the scheme, in an effort to ensure that Canary Wharf will not only work, but that it will make a lasting and positive contribution to London's landscape.

In October we commenced commissioning work on the site, and this will continue through the winter. However, it will not be until six weeks' time or so that we will be ready to announce details of the design of many of the buildings and of the landscaping for the substantial new open spaces. In the design process we have been mindful to take account of Britain's architectural

.....2

The Right Honourable Mrs. Margaret Thatcher MP

and landscaping heritage by working with leading British figures and by liaising with the relevant organisations. Whilst it is perhaps too much to expect universal acclaim for the designs, a great many recognised authorities have already indicated their whole-hearted support for our plans.

In order to give the public announcement of the proposals appropriate emphasis and, in effect, to "launch" the scheme, we are proposing to mark this historic event in the substantial manner it so deserves.

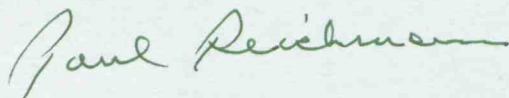
My purpose in writing is to say how much we would be delighted if you could find time within your very busy schedule to honour us with your presence and to launch this, the biggest construction project that Europe has ever seen.

Clearly your existing commitments mean that it would be foolish of us to suggest some pre-determined time and place. And, as you are the one individual responsible for creating the climate within which Canary Wharf has become possible, we are of course ready to be totally flexible with our arrangements if there is any chance at all that you might attend.

We would plan to stage an event in London at some time between, say the middle of February and the end of March, although we could delay a little beyond that time. We could hold the event at any time of day, but a late morning/lunch engagement or early evening/dinner would seem to be the two most appropriate timings.

I do hope that you are able to accept this invitation. Should your office wish for further information or to discuss possible arrangements, could I suggest that they telephone my secretary in London. (Sharon Smith - 01 629-8878) I will also make myself available to come to London on relatively short notice, for the purpose of providing an advance briefing. I very much look forward to hearing from you.

Yours sincerely,



Paul Reichmann

PRIME MINISTER

I understand from Alistair's office that you have agreed in principle to see a  
★ Mr. Paul <sup>Reichman</sup> Whiteman who is a Canadian developer involved with Canary Wharf. Alistair telephoned to suggest some time after 4 February. Would you be content for me to give him a half-hour slot? Would you want a Private Secretary at this meeting?

Tessa

Yes - yes.

mt

TESSA GAISMAN

6 January 1987

Since signing this, the attached letter from Mr. \*Reichman has come in. Can we discuss at Monday's diary meeting?

Tessa 7/1/88