

To: All members and supporters of EAB

From: Tim Owen (Honorary Secretary)

Date: December 14<sup>th</sup>, 2011

**Re: Esperanto House & Wedgwood Memorial College**

*(Se vi ne bone regas la anglan kaj preferus Esperanto-version bonvolu peti tion de Viv en Esperanto-Domo.)*

Dear all,

I've elected to write a letter to you all because it's not fair to expect Geoffrey to hold off on setting the pages in Update indefinitely and so Update has gone to the printer's as it stood on December 9<sup>th</sup>. I've held off on writing this until the very last day possible without breaking the printer's deadlines to ensure that the information is as up to date as I'm able to make it. *For background information please firstly read my article on page 7 of Update 56.*

Following my meeting with the solicitors on November 29<sup>th</sup>, I am very pleased to be able to confirm that **there is no threat to Esperanto House**. The lease is valid for a further 90 years and contains no break clauses. (A break clause is something often inserted of the form "a twenty-year contract but with options to terminate after five years".) Whatever the Council wishes to do with the main site it cannot terminate the lease. It can choose to sell its freehold interest, but any purchaser would take subject to the lease, becoming the landlord in place of the Council under the same terms.

#### **The office, Butler Library, and bedrooms:**

There are two distinguishable parts on the plot that we lease. The first is the office, based in a building that was already on the site and to which we have exclusive occupation. The second comprises an extension, in which are the kitchen and toilet facilities, the Butler Library, and three bedrooms.

Unlike the office, the Butler Library and three bedrooms are *not* EAB's exclusive domain. Instead they were built to provide *us* with a library and *the College* with a revenue stream, giving them a new room to allocate to students and three more bedrooms. We agreed dual use of the Butler Library, which means that both we and the College make use of it without charge. In order to avoid inconveniencing the College's bookings we agreed to give one month's notice that the room would be in use on a particular day and was not available for the College to use. That's not to say we couldn't make use of it in under one month's notice; we have on dozens of occasions, but in the event that the College had already taken a booking for it they would quite reasonably not be obliged to cancel it or find an alternative location.

The lease is very clear on what happens to the extension when the College ceases to be used for educational purposes: it reverts to *our sole use*. **The Butler Library and the three bedrooms become exclusively ours for the remainder of the lease**. (At this point I'll quote the solicitor: "[The Reserved Rights] relate to the rights of the City Council and the College to have the use of the library and three bedrooms. Clause 10 provides that the Reserved Rights must be terminated by the Council if it ceases to use the site for any educational purposes or if it disposes of the freehold interest.")

So please, take away from this letter that *we are rooted to our plot and cannot be removed without our own consent* and that *the Butler Library and bedrooms rest with us whatever happens to the College*.

#### **The property deal: Was it in our interest to pay for the extension?**

I've noticed noise from the usual quarters indicating that EAB apparently built a building for somebody else and latterly demanding online a public inquiry into how "Charity money had been diverted to a town council in an obfuscated property deal" and revealing that he had "[given] evidence to that inquiry regarding the property deal." Since I've heard from worried members who fear no smoke without fire it's probably incumbent on me to do some myth-busting here and prevent other members from fearing the worst from counterfactual hearsay.

In return for funding the extension and providing a source of revenue to the College EAB obtained certain concessions, not least of which is a peppercorn rent: We pay only £1000 (adjusted for inflation) *every year* during the term of the lease for our office and dual usage of the Butler Library. We also only pay a fraction (6%) of the bills; we pay a discounted rate on the bedrooms should we need them and can declare them for our use with one month's notice; the College provides us with security staffing and a cleaner; we obtained a nominal discount on courses.

In effect our lease took the form of "£184,000 up front (building costs) and £1,000 (adjusted for inflation) per year" to get us the office and the Butler Library for a period of 99 years. Had we not paid to build the extension then we'd have had no Butler Library and a rent that was multiples higher, because the Council wouldn't have had these additional revenue sources. For relatively little outlay (certainly given the time period involved) we locked ourselves into a deal which guaranteed us a library and 99 years of extremely low rent, where we are protected from having to pay market prices. (House prices have increased by a factor of 88 since 1952, as those of you who bought houses for four figures might imagine. I expect that rental prices map them to some degree. We're protected from these enormous increases by virtue of the lease that we signed.)

*Number-crunching:*

Inflation has just breached 4% in the worst recession since the 1930s, so I'll use that as bad-case figure for expected inflation over the duration of the lease. The final instalment of our rent in 2101 would be £48.5k, for a total spend of around £1.4m, for which we get an office and library for nearly a century. (The Bank of England is actually chartered to ensure that the inflation averages 2%. In this case the total spend would be £496k, with £312k on the rent payments and the initial £184k.)

Now assume that we didn't build the extension: There would be no Butler Library and no revenue stream for the College that led us to get that concessionary low rent. We instead would have had to pay, say, £500 per month for a total of £6k per year. In this scenario our final instalment would be £291k for a total spend of £7.4m. For that £184k we made several million pounds' worth of savings over the lifetime of the lease *and* gained the Butler Library.

It's a no-brainer, especially since the lease contained a provision that the extension reverts exclusively to us at any point that a) the College ceases to be an educational establishment or b) the Council simply chooses to forfeit its rights to them. We should be extremely grateful to the Trustees at the time for having got us so good a deal.

### **What next?**

Our solicitors have advised us that, in the event that the Council makes known its intentions to ask us to forfeit the lease, we should seek professional advice from a surveyor to advise on the value and negotiate with the Council about what they might offer us in return for surrendering it. We will, of course, be under no obligation to agree to anything if what's on the table isn't to EAB's advantage.

### **And for the College?**

At the time of writing the campaign to save the College is in its second week. It is run by representatives of five stakeholder associations and has its home at [SaveWMC.org](http://SaveWMC.org).

There's not much else I can add. The period of public consultation is set to end on December 23<sup>rd</sup> with the Cabinet making a decision on whether to rubber-stamp the "asset group's" recommendation to close it at the end of February. By the time you get this message anything I write now will be well out of date, so I'd recommend visiting [SaveWMC.org](http://SaveWMC.org) for further information or, in the event that you don't use the internet, phoning Viv in the office on 01782 372141.

(It might be the case that the original gift or transfer of the college imposes some sort of restriction on resale for development anyway. There's no reason to believe that such a restriction is in place but it is often the case that donors give something for the public good and not for someone else to make money off it, so the solicitors are checking the Council's title to the WMC property to verify.)

I hope to see many of you in Edinburgh in April for the joint congress, which includes a buffet, two meals, coffee breaks, a guided tour in Esperanto of the Parliament and a trip to Holyrood all within the kotizo. The additional two-day postkongreso will make it easy to see much of Scotland (Glasgow, Loch Lomond, the Glengoyne distillery, the Falkirk Wheel and Rosslyn Chapel) in a short space of time without having to organise your own travel. You can find more information at [BritaKongreso.org](http://BritaKongreso.org) or by phoning Viv in the office.