



January 7, 2010

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Re: Board of Trade of Metropolitan Montreal brief regarding the Quartier Bonaventure project

Madam President:

The Board of Trade of Metropolitan Montreal has carefully examined the *"Quartier Bonaventure, le nouveau Montréal"* project developed by the Société du Havre de Montréal (SHM). This brief contains our comments and observations with respect to this project.

Overall, the Board of Trade believes the SHM project is both visionary and extremely promising for the harbour front's development. Because of its ambitious nature, this project can make a major contribution to the city's development. On the whole, the Board of Trade endorses this project and encourages the decision makers to add it to the list of priority, structuring projects that must be carried out without delay once certain concerns are addressed. Essentially, we have three concerns, which we raise at the end of this brief with a view to maximizing the project's chances of success.

#### **THE BOARD OF TRADE AND SOCIÉTÉ DU HAVRE**

The Board of Trade has taken an interest in the development of the territory under the SHM's responsibility for many years. In addition to actively supporting the initiative that led to the creation of the SHM in 2002, the Board of Trade was directly involved in shaping the vision and planning the Bonaventure project between 2006 and 2008, when its then President and CEO, Isabelle Hudon, also chaired the SHM's Board of Directors. The Board of Trade also sits on the steering committee spearheaded by the SHM.

As a result of this involvement, we have a firm grasp of the issues and context pertaining to the Montréal harbour front and it is on this knowledge that this brief is based. Moreover, we enlisted the expertise of our strategic analysis committees given that since its inception, the SHM has kept these committees abreast of the progress of its urban and economic development work. This brief therefore also takes into account their thoughts on the matter.

We would like to commend the SHM for the openness it has demonstrated throughout the project's development process. Since its creation in 2002, the SHM has been able to garner strong support for its approach and projects by consulting the public and debating with the parties concerned. The project's promoters, whether private or public, would do well to emulate the SHM in this regard.

#### **OUR UNDERSTANDING OF THE PROJECT**

In order to be fully understood, the Quartier Bonaventure project must be put in context. Because of its location at the entrance to downtown Montréal, close to the river and the Lachine Canal, and adjacent to Old Montréal, the harbour front has exceptional development potential that is absolutely

unique to Montréal. There is almost unanimous consensus in this regard among both the experts and the business community.

The purpose of this project is to correct a mistake made a long time ago, namely, developing Montréal "with its back to the river." Much like the Old Port redevelopment project, this correction must be made carefully and with special attention to rigour and quality. Indeed, this is why the formulation of its Vision 2025 was so important in 2004, when the SHM was co-chaired by Lucien Bouchard and Bernard Shapiro.

Vision 2025 proposes to make this area an urban project that will become Montréal's signature. Quartier Bonaventure will thus become a showcase of our city, capturing the imagination of visitors and citizens alike who will all be able to see in one glance, the meaning of Montréal's designation as a UNESCO city of design. For this reason, the SHM believes the quality of the development must be exceptional, a vision the Board of Trade shares.

While an integral part of this inspirational vision for the harbour front, the idea of developing the area immediately around the Bonaventure Expressway stems from the need to renovate this aging infrastructure in the near future. In fact, based on the SHM's analyses, this roadway will require major work between 2014 and 2017. According to our estimates, it will cost \$45 million to extend the life of this section of the expressway for 20 years. Proceeding in this way would maintain the status quo and make the redevelopment of this area less conducive.

The project also stands out for its emphasis on sustainable development. Quartier Bonaventure is a green project in several respects. First, it calls for turning various public spaces into parks and seeks to obtain LEED ND certification for the entire area. It also addresses public transit issues. The exclusive bus corridor would improve commuting between the island of Montréal and the South Shore and perhaps convert more of the latter's residents to public transit. And if a light rail system were built along the Champlain Bridge, the project, which provides for such an eventuality, would be even more beneficial.

The project will therefore take this opportunity to reconfigure an area that would have needed it sooner or later. Rather than spending huge amounts of money on a simple upgrade, the SHM proposes to lower the expressway so that high value added space that has stood empty for far too long becomes available for development. The same type of transformation was successful with such projects as the Cité Multimédia Montréal and the Faubourg Saint-Laurent, which breathed new life into neglected areas.

*A major investment that is justified only if it generates additional revenues for the City*

The Board of Trade has noticed that the SHM project has grown over the years. As such, at the end of the detailed draft project, the cost estimates had risen from \$90 million to \$142 million. According to the SHM, the increase is due to "inflation [...] combined with the expansion of the area to be developed and quantification of costs not evaluated in previous stages." In our view, an accurate and realistic cost estimate is essential.

Another \$118 million will have to be added to this amount for the Agence métropolitaine de transport to develop the Dalhousie corridor for public transit, bringing the public investment required for this project to roughly \$260 million.

The fact is that this project is costly when compared to the \$45 million it would take to renovate the expressway, which would mean maintaining the status quo. Given the state of municipal and provincial finances and considering the other projects in the works, such an investment can only be justified by the potential real estate investments by the private sector and the additional revenues that will be generated for the City.

In this regard, the SHM believes that demolishing the expressway would allow the City of Montréal to sell unused land it already owns at a much higher price than its current value. Over the period of 2009-2031, the SHM estimates the potential revenue from the sale of the land to just over \$50 million.

The City would also collect non-recurring revenues of \$47.8 million and down the road, \$32 million in taxes every year.

As such, if the SHM's projections are correct, the \$45 million saved by not renovating the expressway, the proceeds from the sale of land, and the non-recurring revenues collected would allow the City to completely recover its \$141.5 million investment. And if the anticipated real estate development materializes, the property tax revenues would provide a net return on its investment of up to \$32 million per year.

In light of the precarious state of municipal finances, the Board of Trade encourages the City to conduct the necessary verification to ensure these assumptions are sound before giving the go-ahead.

## **A FEW CONCERNS**

Aside from the importance of ensuring the soundness of the project's financial structure, the Board of Trade would like to raise three important concerns that should be addressed before the Quartier Bonaventure project begins. These concerns do not question the project's validity, its planning or vision but rather constitute normal questions that any large project should address. The Board of Trade is prepared to collaborate with the City, the SHM and any partner in the project to resolve these issues so as to ensure the Quartier Bonaventure is an unmitigated success.

### *An obligation to succeed*

Although Montréal and Quebec emerged relatively unscathed from last year's global economic crisis, the recovery is unfolding against a backdrop of worrisome public finances. Greater Montréal has many needs and major public projects while our collective capacity to fund them is limited.

The Board of Trade is therefore calling upon all public administrations to exercise rigour and special care in setting priorities. Our city would obviously benefit from new public investments but in light of the available resources, we must choose those projects that will yield the greatest benefits.

On paper, there are a number of arguments that militate in favour of the Quartier Bonaventure project, especially the possibility of the City obtaining a return on its investment through new property taxes. The fact that it may lead to private investments of over \$1.5 billion is another aspect that cannot be ignored.

While the decidedly ambitious nature of the Quartier Bonaventure makes its potential return particularly appealing, it also significantly increases its difficulty coefficient. And just like any athlete about to give the performance of his life, preparation is everything. This is why the Board of Trade believes that although the Quartier Bonaventure project should be a priority, its preparation must leave no questions unanswered.

In this regard, the Board of Trade is concerned that no major partner has yet been found to purchase the land on which the building will be erected, showcasing the unique, monumental new entrance to the city. We have no doubt that the project developed for this space will be in line with the SHM's vision. However, knowing the efforts expended by the SHM to find a partner for this space, we consider it legitimate to worry that if this space remains vacant for too long, it could adversely affect the project's profitability as well as the appeal of this new neighbourhood. Conversely, the presence of a major partner could send out a strong message, spark interest and confidence, and attract additional investors.

### *The City of Montréal as an integrator*

The Quartier Bonaventure project is surrounded and affected by other projects in neighbouring areas. For example, a strategic decision on the route of the rail shuttle between the airport and downtown will soon be made and will have an impact on the project, the neighbourhood and Montréal as a whole. This decision will lead to several others, notably, the potential location of the new train station,

near the Quartier Bonaventure. An important project, developed jointly with Cadillac-Fairview, could, if it comes to fruition, change the environment in which the Quartier Bonaventure has been planned. Several aspects of the SHM project, beginning with the bus terminal, will have to take this new reality into consideration.

Although the economic crisis has forced Devimco to delay construction of its project in Griffintown and to divide it into several phases, this project adjacent to the Quartier Bonaventure could end up substantially increasing the commercial and residential space available in this area. In this regard as well, broader reflection is needed on how these two major projects will fit together.

To reiterate, the Board of Trade would like to commend the tremendous openness the SHM has demonstrated in preparing and developing its project. Like all the stakeholders in this area, the Board of Trade was consulted and was able to state its expectations and concerns. However, given that the development initiatives are beginning and changing at different rates, the Board of Trade believes that it should not be left solely up to the project promoters to harmonize and coordinate each project's initiatives. As well, we believe that the City of Montréal absolutely must adopt an integrated planning approach for the various initiatives and play a strong leadership role by defining a clear development vision for the various areas of the City where other projects are taking place.

In other words, the City must play a much more active role as an integrator and in so doing, help dissipate concerns regarding its ability to successfully integrate neighbouring projects with the one currently under public consultation.

#### *Taking realistic steps to achieve the final objectives*

The Quartier Bonaventure project is unique in that it involves, in the near term, major work to recreate the urban fabric and, in the longer term, major real estate development. In so doing, the SHM's vision clearly takes into account long-term development of the area. In the Board of Trade's view, this is relevant and logical. Still, while it may be a good idea to have a clear vision of new developments in the area, it may also be wise to remain cautious with regard to certain aspects.

One such aspect is the implementation of tram service along Peel Street. Given the tenuous finances of the Québec government and the City of Montréal, it is unclear when this initiative will be launched. Although building a tram system is at the top of the City's transit plan, detailed planning and funding are still in the infancy stage. A delay in the return of the streetcar as a means of public transit could negatively affect real estate development in the Quartier Bonaventure. We believe that a contingency solution should be planned.

Lastly, the project to create a reserved lane in the Dalhousie corridor has raised expected opposition from people living along the river. While it would be nice to avoid this irritant, there does not appear to be another viable route. Aside from extending the distance the bus would have to travel, another route would create nuisance elsewhere in the neighbourhood. Considering the cost of additional bus travel for users, companies and the Réseau de transport de Longueuil,<sup>1</sup> the shortest route must be selected. As for any project of this nature, mechanisms should be put in place to adequately compensate those who are inconvenienced.

#### **CONCLUSION: A GOOD PROJECT FOR MONTRÉAL**

The Board of Trade of Metropolitan Montreal would like to reiterate its support for the vision and approach of the Société du Havre de Montréal with regards to the Quartier Bonaventure project, an initiative that will give Montréal a spectacular entrance, reunite Montrealers with their river and generate property tax revenue for the City.

The importance placed on the quality of the development, to public transit and to greening public spaces makes this a truly high-calibre project and should convince the City and civil stakeholders to

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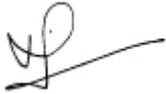
<sup>1</sup> The Réseau de transport de Longueuil estimates that it costs \$2 million per year for each 5 minutes of delay.

endorse and do their part to collaborate on this prestigious project. Because it can contribute directly to our city's future development, the Quartier Bonaventure project deserves our support.

In return, the SHM and the City of Montréal must make this project an exemplary success. As such, the Board of Trade believes that high standards must be set in every respect: the project's financial framework, identification and commitment of private investors, and last but not least, integration with the other projects contemplated in the immediate vicinity.

We have expressed our concerns, confident that those responsible for the Quartier Bonaventure will address them and give Montrealers a project of which they can be proud.

Sincerely,

A handwritten signature in black ink, appearing to be 'M. Leblanc', with a long horizontal stroke extending to the right.

Michel Leblanc  
President and CEO