

Commercial & Residential Development

Commercial

OSEG will develop the retail component (MOU: Clause 7.5(a)). OSEG is mostly composed of highly experienced retail developers, it is likely that Shenkman, Minto and Trinity would be hired to build the retail components. It is not known how much money this will entail. This will be a significant cash flow to these companies and an opportunity for additional profits.

OSEG will be signing a lease for 50 years with an option to renew for a further 20 years. OSEG will not pay any rent on the land for the first 30 years after which it will pay rent based on fair market value and participation rent equal to 50% of OSEG's share of the Net Cash Flow. The MOU however does not indicate what this actually means.

Unique Commercial

The City is required to approve that the retail component will attract distinctive and unique businesses, but there is nothing to say how this will be done. There is nothing, however, to preclude OSEG from renting the space to national commercial and restaurant chains that would not be unique or distinctive.

The City's approval is only required in the respect that the retail component will attract unique stores, not that it actually does. From a lenders point of view, however, OSEG is more likely to obtain bank financing if it is renting to well-established chains with strong track records rather than to small or new independent boutiques or restaurants.

Residential

The Business Planning and Economic Benefits section of the Lansdowne Partnership Plan (P44) indicates that it will cost approximately \$45.8M to build the residential units plus \$4.4M to be paid to the City of Ottawa for air rights.

This results in a total construction cost of \$49.2M or approximately \$236,500 per unit. Given that these units will likely sell for more than \$400,000 each, the developer appears to be making a significant profit. If prices are in the \$400,000 range and approximately 208 units were built, this would represent a profit of approximately \$34M for the developer. If sales prices are in the \$500,000 range, this would represent a profit of approximately \$73M.

If the development is done by OSEG, this level of profit is well above their equity investment in the project. The money from the sales of the residential units does not enter the waterfall. It goes directly to the developers.

Get involved in the debate

Make your voice known online at lansdowne.econsultation.ca by Oct 11th, or come to City hall on November 12th and present your views to Council.