

## What Walton International is up to

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You should read my former colleague Ken Gray's recent posts on Walton International's work trying to promote development in southwest Ottawa. There's a bunch of them, but you can start here.

I've written about Walton's work in Ottawa several times, including in 2010, 2011 and 2012, and in passing in some print stories (like this one). That said, as far as I know it was CTV that first made a story out of them, in connection with the 2010 mayoral campaign in which Larry O'Brien seemed to think they had a good idea.

Walton's spiel is that the city would do well to open a vast tract of land between south Kanata and west Barrhaven to development, creating a new suburb that would, in their pitch, be built smartly from the beginning. Medium-density, mixed uses, transit from Day 1. Yes, it would be outside the Greenbelt, but on the theory that that land will be developed eventually, why not direct suburban development there now and do it intelligently?

With the official plan, and the urban boundary the official contains, now under its regular review, they've been meeting assorted councillors, especially on the planning committee.

I have not heard one particular thing Ken reports, which is that Walton is offering to pay the city's share of a light-rail extension in the direction of the land they want to open to development. It's not clear whether that means from Tunney's Pasture to (roughly) Fallowfield Village, or from Baseline station, or what, but rail is generally not cheap and there would certainly be some councillors very interested in such an offer. Everybody wants rail to their wards, and Harder is still irked that she was going to get an LRT line to Barrhaven in the previous plan and it was snatched away at the last second.

Mind you, Rideau-Goulbourn Coun. Scott Moffatt, whose ward includes pretty much all the land under discussion, has said repeatedly that Walton will get its way over his dead body. Additionally, he says, a lot of the land they like is top-grade agricultural, which under provincial policy makes it harder than less-farmable land to open to development.

Let's dig into a few other things, while we're at it.

One is that Walton, at least the part of them we see here so far, aren't primarily developers. They're "syndicators." The less charitable word would be "speculators."

Their ideal situation is to take money from investors, buy land, get it zoned for development, then sell it to actual developers at a substantial profit. Their investors, mostly from outside North America, make money and Walton gets a handsome cut. Maybe they sell to a development arm of their own company, maybe not.

They have a prospectus available online for an investment in Ontario land that included 300 acres in Ottawa (just south of Hope Side Road, immediately south of the southern tip of Kanata) and 155 acres in Alliston (north of Toronto) that's very open about this:

*The Partnership was formed for the purposes of purchasing an interest in properties comprised of 155 acres of undeveloped land in Alliston, Ontario and 300 acres of undeveloped land located in the southwest quadrant of Ottawa, Ontario (collectively, the "Properties"), holding that interest as an investment, and eventually selling or otherwise disposing of that interest with a view to making a profit, and performing such other activities as may be incidental to, or arising from, the foregoing purposes as may be reasonably determined by the General Partner, including, without limitation, participating in "concept planning" with respect to the Properties. Although it is the current intention of the Partnership to hold that interest as an investment and to eventually dispose of that interest prior to physical development of the Properties, should the partners of the Partnership determine that it would be appropriate for the Partnership to participate in the development of the Properties (other than pre-development concept planning), the activities of the Partnership may also include the partial or full development of the Properties prior to the sale thereof.*

If I understand the prospectus right, they got the Alliston council to rezone the land there for an industrial park, whereupon they sold the 155 acres to another arm of Walton for \$24 million, making a roughly \$14-million profit.

In the case of these 300 acres of Ottawa land, there's enough information in the prospectus to figure that they paid \$16 million for it but figure it would be worth \$45 million if it were zoned for development. I have no idea how reliable these figures are: they're just what Walton claims. And since the one land transaction mentioned in the prospectus involved one arm of Walton selling land to another arm of Walton, it's impossible to know whether that's a fair market price.

Furthermore, in a February PR thingy, they say very clearly that they have one goal in mind: planning the land they own up to its highest and best (read, most expensive) use, "in order to provide the opportunity for a timely exit when market conditions support the same."

Second, that PR thingy presents a fairly rosy view of Ottawa and its work here:

*Currently, Walton is collaborating with the City of Ottawa to develop opportunities to provide regional servicing to accommodate the region's anticipated future growth.*

Well, I mean, yeah, they've had meetings with councillors. That language above describes the relationship a little strongly, though. They "took part in" the last round of official-plan review and all the yelling and screaming that went with it, in the way any landowner could, and it got them nothing. If you're selling to investors outside North America, though, this probably sounds good.

A couple of examples of why Ottawa's a fabulous market to invest in which to real estate:

Many highly advanced technology companies are located in Ottawa, some of which include Alcatel, Cognos, Tundra, Cisco and Dell. In addition, Ottawa is home to the highest-educated workforce in Canada, with more engineers, scientists and PhD's per capita than any other city in the country. Ottawa is also considered one of the top five sites in the world for research and development, with 90 per cent of Canada's industrial telecommunications research and development conducted within the city.

I don't know about the later parts. I know that Alcatel is now Alcatel-Lucent, Tundra's been bought out by IDT, and Cognos is part of IBM. This has the feel of some verbiage that's been sitting on the shelf for a while.

Ottawa's unemployment rate is statistically low when compared to the rest of the country, and is expected to remain steady at 4.5% through to 2020.

Wouldn't that be nice? The February report from Statistics Canada had it at 5.7 per cent. I mean, still pretty good, but not what Walton is telling people.

Third, Walton is talking about a really vast tract of land, which is going to be a hard case to make. The 300 acres is just a little part (albeit, to my eye, the one most likely to get anywhere first, albeit not soon). They say they have bought or hold options on about 3,200 acres, but that's probably not even half of this notional gob of property that they're talking about getting opened for development.

Here's their map. Click to embiggen. The dark parts are land in which they've taken some sort of investment (the 300 hectares is the big dark-blue bit near the top):

Doing a back-of-the-envelope calculation, let's say they want to push for 6,400 acres to be opened. That's about 2,600 hectares. More than double the amount the Ontario Municipal Board ordered opened for development in the latest iteration of the official plan, and that included land in bite-size chunks all over town, from north Kanata to south Barrhaven to east Cumberland.

Fourth, how much does the city figures it needs to open in the current re-examination of the official plan, based on the available supply and population and market trends? Zero hectares.

That's been formally reported to city council, which raised scarcely an eyebrow over it. The OMB could reverse it, or even that council couldn't change its mind, but there's not been any particular movement in that direction. The official-plan review is proceeding on the basis of an urban-boundary freeze, with planners focusing on livability downtown, not where to add land in the suburbs.

Fifth, Walton does have some fairly heavy hitters working on this file. There's Richard Mahoney, longtime Liberal (and two-time Ottawa Centre candidate and, full disclosure, a guy who lives down the street from me). And Jean Lachance, a former urban-planning official. Both of them have lobbied city councillors on the file, under the euphemistic explanation that they're talking about ideas for future smart growth (see the November 2012 blog post I linked above).

On the other hand, well, the lobbying registry asks lobbyists to enter their addresses. As the various premises of Walton's Ottawa business, Mahoney lists the Slater Street office of NATIONAL Public Relations, where he's a vice-president; Lachance lists his own house near South Keys. This is not a bustling operation.

Sixth, Walton makes money no matter what. Going back to that prospectus, it charges some fairly substantial management fees. The investors put in about \$35 million in the first place. Walton charged more than \$700,000 in fees in the first nine months of 2011 alone. That's a big chunk of the capital. Everyone seems to have made out well with the Alliston sale, and no doubt will do so again if that piece of land in south Kanata gets flipped at some point; I have no doubt that Walton's ideal is to make money for its various investors, whoever and wherever they may be. Walton is in for an unspecified "performance fee" if things go well. But Walton gets paid a good chunk of dough even if it never happens.

In conclusion, none of this is to say that Walton shouldn't be taken seriously. They didn't hire a couple of guys here in town and start throwing money around, sponsoring stuff at city hall and going to OMB hearings and meeting public officials for nothing. Their ideas may not even be bad ones, if Ottawa finds itself needing more suburban land. Particularly if they really are offering to kick in a lot of money for public services that usually only come along long after development. But as of today, there's an awful lot standing between Walton and what it wants.

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