

SUMMARY OF THE STUDY ON THE REAL ESTATE ECONOMIC BENEFITS

OF THE PLACE DES ARTS AREA
OF THE QUARTIER DES SPECTACLES

JANUARY 2015

TABLE OF CONTENTS

A WORD FROM JACQUES PRIMEAU,
Chair of the Board, Quartier des Spectacles Partnership 1

A WORD FROM MICHEL LEBLANC,
President and CEO, Board of Trade of Metropolitan Montreal 2

A WORD FROM DENIS CODERRE, Mayor, Ville de Montréal. 3

**SUMMARY OF THE STUDY ON THE REAL ESTATE
ECONOMIC BENEFITS OF THE PLACE DES ARTS AREA
OF THE QUARTIER DES SPECTACLES 4**

INTRODUCTION 5

 The Birth of the Quartier des Spectacles

 A Consensus Between Actors and Ongoing Support
 from the Business Community

 A Distinctive Character

MANDATE 7

PART A: REAL ESTATE ECONOMIC BENEFITS 8

 Methodology

 Findings

PART B: COMMERCIAL BENEFITS 10

 Methodology

 Highlights



A WORD FROM JACQUES PRIMEAU

CHAIR OF THE BOARD, QUARTIER DES SPECTACLES PARTNERSHIP

The Quartier des Spectacles project is an exciting one. In just over a decade, this one-square-kilometre area that is an undeniable cultural asset has flourished in the heart of downtown Montréal. This unifying, ambitious project has created an unprecedented consensus among actors from the cultural sphere. It has been a catalyst, generating enthusiasm, prompting three levels of government to participate financially and directing everyone's efforts toward impressive results. The Quartier des Spectacles has become an important showcase for creativity from Montréal and further afield, reinforcing the city's status as one of the most dynamic, attractive cultural cities in the world.

Right from the outset, the Ville de Montréal understood the potential of this revitalization. It founded the Quartier des Spectacles Partnership, giving it the mandate to create a vision for developing the Quartier, to give it a strong identity and to structure initiatives. Over time, the mandate expanded to include managing and organizing activities for the public spaces and promoting the Quartier as a destination. The Partnership team tackles these challenges with a great deal of professionalism and enthusiasm.

Cultural actors have made a remarkable contribution to the success of the Quartier des Spectacles. Many were inspired by the bold redevelopment of the area around Place des Arts. In just a few years, they took advantage of the new spaces and were outdoing each other with inventive ideas to enhance their offer to customers. These initiatives have helped the Quartier des Spectacles flourish.

The study commissioned by the Board of Trade of Metropolitan Montreal, the Ville de Montréal and the Quartier des Spectacles Partnership provides a snapshot of the real estate and commercial economic benefits as they stand today. It allows us to measure certain aspects of the "Quartier des Spectacles effect" some five years after the inauguration of the Place des Festivals.

The Quartier des Spectacles is proof that culture can drive development. Our efforts attracted not only more visitors, but also real estate developers and merchants. Furthermore, from 2007 to 2016, the number of residents in the Quartier is expected to increase by 67%.

As a result, the Quartier's cultural vocation is growing stronger. Among the real estate development projects, six of them – representing around 25% of total investments – will expand the cultural offer: the Maison symphonique de Montréal, the 2-22, the Maison du Festival Rio Tinto Alcan, the Society for Arts and Technology (SAT), the Place des Arts' Espace culturel Georges-Émile-Lapalme and Le Wilder: Espace Danse. This is in addition to those that have been announced, such as the National Film Board of Canada building that will complete the west side of the Place des Festivals and the redevelopment of the former Just for Laughs Museum, which will be home to the troupe Les 7 doigts de la main. Clearly, the proportion of artists and cultural workers keeps growing.

The distance we have covered is indeed impressive and demonstrates the keen interest and perseverance of the partners in this project. It is an accomplishment Montrealers are proud of. Culture, which is in Montréal's DNA, is part of the fabric of its history now more than ever. The Quartier des Spectacles is an embodiment of this.

And this is only the beginning. Other parts of the Quartier need to be revitalized, particularly the eastern portion, with the Saint-Laurent and Quartier Latin areas, so that they too can blossom. We need to build on our momentum and not turn our backs on this work in progress, which has such obvious potential. We all stand to benefit!



A WORD FROM MICHEL LEBLANC

**PRESIDENT AND CEO,
BOARD OF TRADE OF METROPOLITAN MONTREAL**

For over a decade, the Board of Trade of Metropolitan Montreal has been raising awareness in the business community about the critical role of culture in the city's development and has been taking concrete action to support this strategic sector of our economy.

The Board of Trade welcomed the vision for the development of the Quartier des Spectacles when it was unveiled in 2004. We were also on board when the Ville de Montréal, the gouvernement du Québec and the Government of Canada committed to making the project a priority, during the November 2007 Rendez-vous – Montréal, Cultural Metropolis.

Over the past few years, a district that is complete, bustling, welcoming, attractive and unique in North America has blossomed in the heart of the city. Enhancing this urban setting, with an unparalleled concentration of cultural venues and events, has attracted new real estate and commercial projects, further boosting its structuring effect.

The Board of Trade has long wanted to measure — with quantitative data — the leverage effect of the some \$150 million in public funds invested in the Quartier des Spectacles on private investment, real estate development and economic development. We thank the Quartier des Spectacles Partnership and the Ville de Montréal for having agreed to tackle this challenge with us.

The magnitude of the real estate economic benefits announced today — over \$1.5 billion! — demonstrates the extent to which revitalizing a district around a specific vocation, if done well, can be the spark for the economic rebirth of a city.

The survey conducted among Quartier des Spectacles merchants speaks volumes about the attraction power and incentive to investment of such a project. Since the area was redeveloped, a majority of merchants in the area of Place des Arts have undertaken renovations. They have seen an increase in traffic, and a resulting increase in sales. The fact that we succeeded in creating an environment conducive to private investment, when — we should not forget — we were in the midst of an economic crisis, is remarkable.

In the next few years, the Quartier des Spectacles will continue its development eastward. Other major urban projects will also come to fruition in Montréal. The positive experience of the Quartier des Spectacles and the area around Place des Arts should inspire us and incite us to keep developing the city's assets, whether in culture, knowledge or innovation. This is how we can advance the commercial and real estate development, along with the proliferation of ideas and creativity, which have built Montréal's reputation around the world.



A WORD FROM DENIS CODERRE

**MAYOR,
VILLE DE MONTRÉAL**

Even before it was called the “Quartier des Spectacles”, the area around Place des Arts has always been a site for culture and entertainment in the city. So it was no surprise when in the early 2000s the idea of creating a major project already offered a glimpse of the potential of the future Quartier des Spectacles.

The community partners’ vision for development led to a bold Special Planning Program for the area, implemented by the Ville de Montréal with financial assistance from the Gouvernement du Québec and the Government of Canada. These investments in developing sustainable, high-calibre public spaces, as well as in developing new cultural assets, created a renaissance for the Quartier des Spectacles.

Many Montrealers and visitors have made the Place des Festivals, the Promenade des Artistes, the Parterre and Sainte-Catherine Street their own, whether to attend concerts or festivals or just to enjoy a pleasant break in their day.

All of this activity in the heart of the city helps position Montréal as an important cultural center, using culture and the arts as a driver of economic development with major benefits.

Not only did public investments have a major impact in terms of enhancing the urban environment, but they also encouraged private investment that added to the project and helped revitalize this area.

On the eve of the city’s 375th anniversary, the Ville de Montréal will continue to invest in the Quartier des Spectacles. I strongly encourage our partners to join us in this celebration.

SUMMARY OF THE STUDY ON THE REAL ESTATE ECONOMIC BENEFITS OF THE PLACE DES ARTS AREA OF THE QUARTIER DES SPECTACLES

Study conducted by the Groupe Altus, January 2015

As a destination, the Quartier des Spectacles is growing in popularity, summer and winter alike. Montrealers and visitors have embraced the new public spaces: the Place des Festivals, the Promenade des Artistes, the Parterre and Sainte-Catherine Street (from De Bleury Street to Saint-Dominique Street). The number of festivals and events in the area has grown significantly, further entrenching the Quartier des Spectacles' cultural vocation.

In terms of the economy, the project helped bring the cultural sector and the business world closer together. It stimulated economic development by helping the commercial offer of the area around Place des Arts evolve, with new restaurants in particular. It has created tangible benefits in terms of real estate development. To date, 48 projects have been built or are under construction.

Until now, a qualitative understanding of the economic benefits of this project has never been backed by data to measure the actual scope. This is the backdrop against which the Quartier des Spectacles Partnership, the Board of Trade of Metropolitan Montreal and the Ville de Montréal joined forces to commission this study.

This study has two related objectives:

- to measure the impact of the Quartier des Spectacles on real estate investment;
- to evaluate the capacity of such a project to stimulate economic and commercial development.



Place des Festivals

© Patrice St-Amour



Parterre

© Stephan Poulin



Promenade des Artistes

© Stephan Poulin



Sainte-Catherine Street

© Patrice St-Amour

INTRODUCTION

THE BIRTH OF THE QUARTIER DES SPECTACLES

Culture has made the heart of downtown Montréal beat for more than a century. Over the years, many cultural venues have set down roots in a one-square-kilometre area. Focusing on this concentration and diversity of cultural assets, the sector's representatives gave careful consideration at the beginning of the last decade to how to revitalize this critical district, which up to that point lacked structure.

In 2002, the Montréal Summit offered Montrealers an opportunity to rethink their city. Among the projects submitted, the creation of the Quartier des Spectacles commanded attention. Actors in the sector imagined a redeveloped district with a strong identity that would become a popular cultural destination. They wanted to revitalize Montréal's cultural scene and make culture a driver of development for the city.

The Ville de Montréal committed to this promising project right away. In 2003, it created the Quartier des Spectacles Partnership, a non-profit organization with roots in the milieu, with a primary objective of proposing a vision for the future development of this area by promoting its cultural assets, taking into account its residential, economic and tourism dimensions. The Quartier des Spectacles, bordered by City Councillors Street, Saint-Hubert Street, Sherbrooke Street and René-Lévesque Boulevard, took shape. A vision was developed: *Life, Learning, Art and Entertainment*.

A CONSENSUS BETWEEN ACTORS AND ONGOING SUPPORT FROM THE BUSINESS COMMUNITY

In June 2004, when the Quartier des Spectacles Partnership unveiled its development plan, the Board of Trade of Metropolitan Montreal welcomed the shared vision presented by a group of players from different spheres.

With its firm view that the Quartier des Spectacles project cannot happen without a unified effort from all players concerned from government, businesses, the cultural sector and associations, the Board of Trade has never stopped working to bring these circles together.

In fall 2007, under the leadership of the Ville de Montréal, Culture Montréal, the Board of Trade of Metropolitan Montreal, the Gouvernement du Québec, the Government of Canada and representatives of the worlds of politics, culture and business came together for the 2007 Rendez-vous – Montréal, Cultural Metropolis. The event equipped the city with an action plan that, over a ten-year period, would help deploy and consolidate a vision of Montréal as a city of culture, concentrating on creativity, originality, accessibility and diversity.

At this event, the different levels of government committed to financially supporting the Quartier des Spectacles. A major redevelopment was undertaken as part of the Special Planning Program for the Place des Arts area, launched by the Ville de Montréal in 2007. This redevelopment consolidated the Quartier's vocation by creating new public spaces around Place des Arts to host major festivals and cultural events. The mandate of the Quartier des Spectacles Partnership then grew: it was to manage the new public spaces, create activities for them and promote the Quartier as a destination. For creating the Place des Festivals, the Promenade des Artistes and the Parterre and redeveloping Sainte-Catherine Street (from De Bleury Street to Saint-Dominique Street), investments totalled over \$150 million. The final phase of this Special Planning Program, the Esplanade Clark, should get under way soon.

A DISTINCTIVE CHARACTER

Today the Quartier des Spectacles is home to some 80 cultural venues — including 30 concert venues — 450 cultural enterprises, 45,000 jobs, 7,000 of them related to culture — over 12,000 residents and 50,000 students. No district in North America rivals the Quartier des Spectacles for the diversity of the cultural offer year-round, not even Broadway in New York.

The redevelopment of the Quartier combined with the work of the Quartier des Spectacles Partnership and cultural actors has proven successful. A true cultural centre, the Quartier des Spectacles has generated genuine enthusiasm among Montrealers and visitors — whose numbers are growing — to say nothing of the heightened interest of producers and creators from home and abroad. The unique, innovative formula of the Quartier crosses boundaries and has contributed to Montréal's standing as a destination of choice.

A little over five years since the inauguration of the Quartier's first new public square – the emblematic Place des Festivals – there is no doubt that the Quartier des Spectacles has had a structuring effect on Montréal, both on culture and the economy. The Quartier des Spectacles Partnership, the Board of Trade of Metropolitan Montreal and the Ville de Montréal wanted to quantify and document the real estate and commercial benefits of this major redevelopment, which is why they commissioned this study.



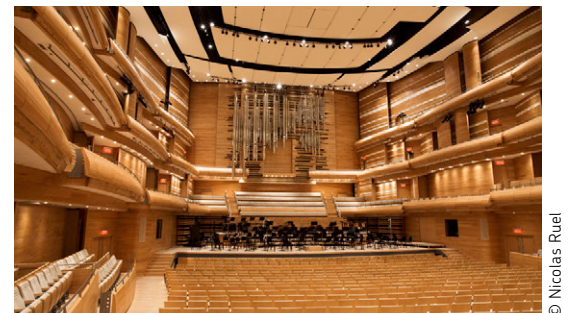
Festival International de Jazz de Montréal



Montréal en lumière



21 Balançoires (21 swings)



Maison symphonique de Montréal

MANDATE

In fall 2014, the Quartier des Spectacles Partnership, the Board of Trade of Metropolitan Montreal and the Ville de Montréal awarded the Groupe Altus, a firm that specializes in the real estate sector, the mandate to conduct a study on the real estate and commercial economic benefits of the redevelopment of the western portion of the Quartier des Spectacles. The objective was to shed light on the benefits of the urban renewal that began in 2007 following public investments.

The first part of this study was meant to evaluate the real estate economic benefits generated by investments made since 2007 and those planned for projects under way.

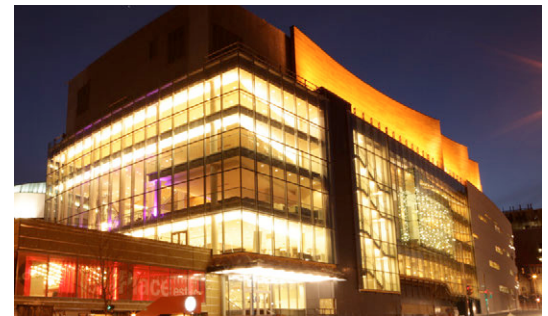
The second part involved conducting a survey of merchants doing business in the blocks bordered by Saint-Dominique Street, Sherbrooke Street, De Bleury Street and René-Lévesque Boulevard. to understand the effects of the redevelopment on their traffic, sales and planned investments, as well as to establish the types of business that have benefitted most from the redevelopment of the Place des Arts area.



The Louis Bohème



Brasserie T!



Maison symphonique de Montréal



The 2-22

PART A: REAL ESTATE ECONOMIC BENEFITS

Excerpt of the Study on the Real Estate Economic Benefits of the Place des Arts Area of the Quartier des Spectacles

METHODOLOGY

The construction work considered in the study of real estate economic benefits was chosen and categorized as follows:

- 1) **2007-2014 constructions:** new projects completed between 2007 and 2014.
- 2) **Major conversions or renovations:** new projects built on existing structures along with projects that have involved major renovations on a entire building.
- 3) **2015-2016 deliverables:** new projects that will be completed in the next two years.
- 4) **Under development:** projects that have been announced and that are in the development phase, but for which construction permits have not yet been issued as of December 31, 2014. These projects were included solely for information purposes. The potential economic benefits of these projects have not been calculated.

The following main economic benefits have been quantified and analyzed:

- 1) **Investment:** these benefits correspond to the construction costs (direct, indirect and ancillary) of each project.
- 2) **GST, QST:** tax benefits (goods and services tax and sales tax) resulting from amounts invested.
- 3) **Historical tax surplus:** additional tax revenue (property and school taxes) historically generated by each of the projects since 2007.
- 4) **Future tax surplus:** the current value of future tax revenue (property and school).

MAP OF THE QUARTIER DES SPECTACLES

TYPE OF EVALUATION UNITS

- Public spaces
- 2007-2014 constructions
- Major conversions or renovations
- 2015-2016 deliverables
- Under development



FINDINGS

Before addressing findings concerning economic benefits with respect to investment, it is interesting to take a quick look at the trends in real estate growth, the driver of investment. Prospects for real estate growth are a major motivating factor for investments, which, in turn, create value.

In this, the Quartier des Spectacles distinguished itself with respect to its reference area, with growth in property values of 43.4% between 2007 and 2014, compared with 39.7% for the entire Ville-Marie borough. It is important to note that this borough as a whole shows exemplary real estate growth, making the Quartier des Spectacles even more interesting. We can therefore conclude that since 2007 the Quartier des Spectacles had been a favourable market for real estate investment.

As such, the efforts involved in redeveloping the Quartier des Spectacles have generated significant real estate investment in the area. Since 2007, over \$1 billion was invested in the 48 construction projects inventoried. Between 2007 and 2014, these

investments resulted in growth in municipal evaluations of around \$1.6 billion, thanks to which the Ville de Montréal will collect an additional \$20 million each year in property taxes. Ultimately, the Ville de Montréal and the different levels of government will have collected a tax surplus (GST, QST, property tax and school tax) of around \$530 million over the useful life of these new constructions. According to our estimates, \$148 million of this tax surplus has already been collected since 2007 (\$102 million in GST/QST, \$42 million in property tax and \$4 million in school tax) and an additional \$60 million, from deliverables projects for 2015 and 2016, will be collected over the next two years.

These real economic benefits attributable to this new construction total between \$1.5 and \$1.6 billion. A third of these benefits will result from projects currently under way, with planned delivery dates in 2015 and 2016.

The following table summarizes the benefits analyzed in this study:

REAL ESTATE ECONOMIC BENEFITS - ALL NEW PROJECTS STUDIED*							
Project category	Investment	GST, QST	Historical tax surplus		Future tax surplus		TOTAL
			Property	School	Property	School	
2007-2014 constructions	446 796 000\$	66 908 000\$	30 988 000\$	3 110 000\$	166 788 000\$	20 003 000\$	734 600 000\$
Conversions or major renovations	234 193 000\$	35 070 000\$	11 189 000\$	761 000\$	25 640 000\$	5 165 000\$	312 000 000\$
Subtotal	680 989 000\$	101 978 000\$	42 177 000\$	3 871 000\$	192 428 000\$	25 168 000\$	1 046 600 000\$
2015 and 2016 deliverables	352 106 000\$	52 728 000\$	6 781 000\$	709 000\$	96 874 000\$	10 127 000\$	519 300 000\$
TOTAL	1 033 100 000\$	154 700 000\$	49 000 000\$	4 600 000\$	289 300 000\$	35 300 000\$	1 566 000 000\$

* Note: Amounts have been rounded.

PART B: COMMERCIAL BENEFITS

Excerpt of the Study on the Real Estate Economic Benefits of the Place des Arts Area of the Quartier des Spectacles

METHODOLOGY

An inventory of the commercial offer identified 174 businesses in the study area. Among these, 120 businesses are well-established storefronts and are likely to have benefitted from the redevelopment of the Place des Arts area of the Quartier des Spectacles. A study was conducted in person with 43 of these businesses, ensuring a proportional representation of the different types of businesses.

HIGHLIGHTS

The survey to evaluate the commercial benefits of the redevelopment of the Quartier des Spectacles shed light, backed by figures, on the power of attraction and incentive to investment of the revitalization effort in the Place des Arts area in recent years.

The survey showed that almost all of the respondents (88%) are satisfied with the new development in the Quartier des Spectacles and with the cultural events that have made its reputation. The same number believes that their location in the Quartier plays an important role in the success of their business.

More than half (53%) of the merchants we met with have been operating in the Quartier des Spectacles for under 10 years, i.e., since the redevelopment plans for the area were known or were being carried out. In explaining why they set up shop in the Quartier des Spectacles, businesses pointed, in order of importance, to the proximity of the clientele, the presence of festivals and events and traffic on their street.

Two thirds (67%) of merchants who were present before 2007 reported having done renovations, and over a third of them (35%) increased their staff. Furthermore, over 75% felt it was “not at all likely” that their business would close or move in the next year.

HIGHLIGHTS (SUITE)

The merchants surveyed within the perimeter defined are more optimistic about the economic situation of the Quartier des Spectacles than about that of the rest of Montréal. In fact, more than half (58%) of the merchants believe that the Quartier des Spectacles' economic situation will improve in the next 12 months, whereas only one third (33%) predicted an improvement in Montréal's economic situation. Furthermore, 70% of merchants believe that their sales will increase in the coming year.

Two thirds of merchants doing business in the area before 2007 (67%) saw an increase in sales, and a majority of them (57%) saw an increase in traffic since the deployment of the area around Place des Arts. Restaurant and hotel owners seem to have benefitted in particular from the redevelopment of the area. These merchants are even more optimistic about the economic situation of the Quartier des Spectacles than those in other types of businesses. More of them "completely agreed" with the suggestion that their business benefits from being considered part of the Quartier des Spectacles (61% compared with 20%).

The availability of parking in the area is one of the main concerns of the merchants surveyed.

THE FULL STUDY BY THE GROUPE ALTUS CAN BE CONSULTED HERE:

www.quartierdesspectacles.com/fr/etude (available in French only).

Study commissioned by the Quartier des Spectacles Partnership, the Board of Trade of Metropolitan Montreal and the Ville de Montréal.
January 2015