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# Standing Committee on Government Operations and Estimates

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Chair: Mr. Kelly McCauley





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• (1105)

[English]

**The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):** Good morning, everyone. I call this meeting to order. Welcome to meeting number 136 of the House of Commons Standing Committee on Government Operations and Estimates, fondly known as the mighty OGGO.

Before we start, colleagues, I'd like to read you a quick note that we received, through our clerk, this morning from Global Affairs. It says:

Good morning, Mr. Clark's staff have confirmed that he would be pleased to make himself available to appear before the committee. September 4th and September 12th are dates that could work for him.

They said if not, they can find another date after he returns from his leave September 3.

Colleagues, if it's okay with everyone here, I'll seek UC to leave it with me and the clerk to work on his appearance for September 12 or a later regular OGGO meeting date. I'll assume we have consensus. Thanks, everyone, for that, and thank you, Mr. Clark, for clearing that up for us.

We will now go to our two witnesses, who are appearing virtually. I understand we have opening statements from both of them, so we'll start with Mr. Miller, please.

Go ahead. The floor is yours for five minutes.

**Mr. Jonathan Miller (President and CEO, Miller Samuel Inc.):** Thank you so much for the opportunity to speak with you today. Good morning, Mr. Chair and members of Parliament. I appreciate the opportunity to brief you on the New York City real estate market.

I've been a real estate appraiser based in New York City for the past 38 years and am the co-founder of the valuation firm Miller Samuel. Our clients include domestic and international financial institutions, law firms, consulting firms, developers, co-op boards, condo associations, managing agents, individuals, government agencies and federal, New York state and New York City courts.

I am a New York state-certified appraiser and have appraised more than 8,000 residential properties, most of them in Manhattan. In addition, as a U.S. housing market analyst, I have authored research studies in roughly 50 U.S. housing markets, including the New York City metro area. I hold the Counselors of Real Estate designation, I am an appraiser "A" member of the Real Estate Board of New York and I was a two-term president of RAC, a national appraiser organization specializing in providing valuation so-

lutions for complex residential properties. In 2023, I testified in Washington, D.C., at the Federal Housing Finance Agency, or FHFA, the regulator of Fannie Mae and Freddie Mac, in front of the appraisal subcommittee.

For the past three decades, my market research has been relied on by the media, financial institutions and government agencies, including the Federal Reserve, the Internal Revenue Service, the U.S. Department of Housing and Urban Development, the New York Mayor's Office of Management and Budget and the New York State Division of the Budget's Economic Advisory Board. I also co-authored a research paper for New York University's School of Law and the NYU Wagner Graduate School of Public Service's Furman Center for Real Estate and Urban Policy, titled "The Condominium v. Cooperative Puzzle: An Empirical Analysis of Housing in New York City", which was published in the Journal of Legal Studies at the University of Chicago.

I also teach market analysis as an adjunct associate professor of architecture, planning and preservation in the masters of science in real estate development program at Columbia University. I am a New York state real estate instructor for both qualifying and continuing education courses and serve on the New York City mayor's economic advisory panel, representing the residential real estate sector.

Per my research, Manhattan co-ops and condos represent about 98% of residential sales activity on the island. Since I began my professional practice in 1986, the housing market has undergone significant change, with an expanding condominium market and a weakening co-op market.

Thank you for your time.

**The Chair:** Thank you very much, Mr. Miller.

We'll now go to Mr. Aabo.

It's over to you for five minutes. Go ahead, sir.

**Mr. Thomas Aabo (Licensed Real Estate Agent, Douglas Elliman Real Estate):** Good morning, Mr. Chair.

Good morning members of Parliament, and thank you for the invitation to participate in this hearing this morning.

My name is Thomas Aabo, and I'm a real estate agent with Douglas Elliman, a U.S.-based real estate firm. We were founded in 1917. Along with my team, the Erin Boisson Aries team, I support a diverse group of clients in real estate transactions in New York and elsewhere. It's our job to source and dispose of real property based on client needs and criteria. In this role, we provide expert guidance and market analysis, as well as marketing, purchasing and sales advisory.

We frequently participate in solicitations and RFPs. In April 2024, we were awarded a contract and started work to support Global Affairs Canada's initiative to secure a new official residence in New York for the Government of Canada. As you may be aware, New York City is one of the most dynamic and highest-value real estate markets in the world. Midtown, a central part of Manhattan, is considered the business and diplomatic centre of New York City, exemplified by an above-average concentration of international residents and organizations and anchored by the UN headquarters on the East River.

Midtown receives heavy investment from foreign governments. The traffic and logistics of a metropolis necessitates that organizations seeking active participation in trade must be located in or near the area. To mention a few recent transactions, they include the British government investing \$16 million, the French investing \$14 million and the Qataris investing \$45 million, while the governments of New Zealand and Denmark both invested between \$8 million and \$10 million. I'll supply all of these numbers in Canadian dollars as well at the end.

To our knowledge, there is no major foreign government, and certainly none in the G20, that doesn't have meaningful real property investments for public representation in Midtown within 15 minutes of the UN. The 57th Street corridor in Midtown, which has been talked about a fair bit at these hearings, is colloquially referred to as Billionaires' Row because the area is home to rarified residences overlooking Central Park in supertall skyscrapers built within the last decade. They include penthouses with selling prices from \$40 million to well over \$100 million.

Of course, like all of New York City, the 57th Street area is also a diverse real estate ecosystem. The neighbourhood includes studio apartments that sell for under \$1 million. The average price per square foot in this area, which is a common measure of value in New York real estate, is \$1,749.

To support OGGO's efforts here today, I thought it would be helpful to detail the process we undertook with Global Affairs to secure the new official residence. As you can imagine, researching and evaluating properties is a deliberate process tailored to every client's needs. In this case, our client provided very specific criteria. They included a minimum of three bedrooms plus den, accessibility compliance, proximity to both the Canadian mission and the UN, detailed security specifications, a location that is not in a co-op, a price point below \$9 million, and separation between living quarters and where public duties take place. Furthermore, the location and building had to be attractive for these public functions to be well attended, and building management had to be accommodating for such duties to be performed frequently.

Given these parameters, we presented 39 properties for consideration. The initial list was narrowed down to 21 properties in seven neighbourhoods for in-person visitation. After three days of property visits, a final list of four properties remained and two were nominated for further consideration. One of these finalists did not pass a second security and design review, leaving, by process of elimination, the unit in the landmark portion of 111 West 57th Street, a building that will celebrate its 100th year next year, having been completed in 1925. The entire process was overseen by Global Affairs Canada visiting New York City from Ottawa.

With the selection process completed, negotiations with the seller to achieve the best possible price were supported by the unit being the last available residence in this landmark section of the building—a choice location, but looking out on 57th Street and not over Central Park. The residence was purchased at a 40% discount against the original asking price and 10% off the last asking price, and came to \$1,750 per square foot after concessions. This is by far the lowest price in the building. It is 70% less than peer buildings in the neighbourhood, which sell at well over \$5,000 per square foot.

Despite the property's desirable location for foreign governments, the price per square foot was also far below the \$2,600-per-square-foot average spent by the other foreign governments I mentioned earlier. In fact, the Government of Canada paid just below the average for a standard New York condo, which is currently at \$1,764 for the second quarter of 2024, per Jonathan Miller and his company, Miller Samuel.

In conclusion, it is our professional opinion that the Government of Canada, based on the criteria presented and the quality and final purchase price of its new official residence, has secured an asset that will serve the country of Canada for years to come, both fiscally and functionally. It is a savvy investment procured in a well-run process by a diligent team in Ottawa. We present our gratitude for the chance to participate in the process and to bear witness here today.

● (1110)

Thank you.

**The Chair:** Thank you, sir.

We'll start our six-minute round with Mr. Barrett.

Please go ahead, sir.

**Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC):** I appreciate your comments at the opening of the meeting. It's interesting to hear that we've had a change of heart by Justin Trudeau's \$9-million man Tom Clark. He is now saying that he is willing to meet, after having previously said that he would appear and then that he wouldn't appear, and then that he was on leave. Then, when his office was contacted by media, they were told that he was in fact in the office. We have very disingenuous, at best, responses from Mr. Clark. They raise all kinds of questions about who the direction came from for Mr. Clark not to appear as he had originally committed to this week.

This is, of course, in the context of a \$9-million residence on Billionaires' Row that will serve one person and duplicate existing space that the office of Canada's representative in New York already has. We heard from Trudeau government officials last week that they were incredibly proud of the \$9-million Billionaires' Row accommodations they got for Justin Trudeau's pal. It never occurred to them that it would be optically bad to spend \$9 million on a place on Billionaires' Row for a member of the Liberal elite. I think their response, their being unaware of how out of touch this was, says everything you need to know after nine years of Justin Trudeau and his NDP-Liberal government.

Mr. Chair, Mr. Clark had agreed to be here today and he backed out. Now he's saying he will come on one of those dates. Let's preempt the conversation we'll have on the date that's selected. If Mr. Clark doesn't come on that date, he'll have exhausted every reasonable courtesy that this committee can extend to him. As the motion did pass unanimously for him to be here, he must be summoned, because otherwise he will be in defiance of this committee's unanimous wish and, of course, will demonstrate that again he did not tell the truth, just as he did yesterday when he said he was on leave but in fact was not. We'll wait and see, but it's clear that this is an effort by the government to try to delay and distract from this latest, \$9-million scandal.

To our witnesses, please answer this question as briefly as possible: Is Midtown East appropriate for representational space for a G20 country, in your estimation?

• (1115)

**Mr. Jonathan Miller:** Thank you for the question.

The quick answer is yes, it is. About 95% of the consulates in New York City are located in this neighbourhood or just abutting this neighbourhood. There are about 136 consulates and all but seven are located there.

**Mr. Michael Barrett:** To the other witness, do you agree, sir?

**Mr. Thomas Aabo:** Yes, I agree 100%. In terms of Midtown East and the Midtown corridor in general, all of the examples we mentioned earlier in our opening remarks are based in that area, within about 15 minutes of the UN.

**Mr. Michael Barrett:** Just for my understanding, 466 Lexington Avenue is in that area.

**Mr. Thomas Aabo:** That is correct.

**Mr. Michael Barrett:** Okay. That's where the consulate general of Canada in New York is located. We talk about the space that G20 and G7 countries have. We have space there. We have that key

space. In 2018, the Government of Canada, financed by the taxes of Canadians, paid for upgraded space, representational space, meeting space—space where meals could be served, events could be held and meetings could be had—at that address, at 466 Lexington Avenue, on the 20th floor. What we have now is a \$9-million condo. That condo is supposed to replace another condo that the Government of Canada had procured.

What increased value will Canadian taxpayers get by having a duplicate, a second location, in a desirable neighbourhood? Obviously, other countries are spending big sums of money. I'm not accountable to their taxpayers. I'm accountable to Canadians, as is this Liberal government. What increased value do we get by having a second space?

**Mr. Thomas Aabo:** While I can't speak to the value of a second space versus a first space, it is my understanding that there is an office space and a residence space and that the residence space generally has a facility requirement as well to be performing as a mission asset. Having that space sounds like the right choice for the Government of Canada. The initial—

**Mr. Michael Barrett:** Just quickly, sir, what was your commission on this sale—just the number, if you could?

**Mr. Thomas Aabo:** I appreciate the question.

The commission was pre-negotiated as part of the RFP process with the Government of Canada.

**Mr. Michael Barrett:** What was the number, sir?

**Mr. Thomas Aabo:** The commission received by agents during any sales process is always received by the selling party, not by the buyer's side. The seller's party paid out a commission of 4% of the transactional value to our firm.

**The Chair:** Thank you, Mr. Barrett.

Mr. Kusmierczyk, please go ahead for six minutes.

**Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.):** Thank you, Mr. Chair.

Every time I hear Conservative colleagues like Mr. Barrett speak, I'm reminded that they made a video recently called “Canada, Our Home”, in which they badly manipulated the truth and badly manipulated Canadians. In that same tradition, I see Mr. Barrett mischaracterizing the communication between Mr. Tom Clark and the clerk.

I want to ask the clerk to clarify and confirm that Mr. Tom Clark, from the beginning, was open to meeting with the committee but was simply not available on August 27 and was looking for an alternate date. Can the clerk kindly confirm that for the record? That is, what was the original correspondence from GAC?

• (1120)

**The Chair:** The motion was on July 24, and on August 8 there was an email that stated:

In Marc-Olivier's absence, to inform you that Tom Clark, Consul General of Canada in New York, would be available to appear on Tuesday, August 27, 2024. GAC is awaiting for an official invitation to be sent to them.

It was on August 8 that we received an email from the clerk du jour, as I jokingly call it, because MOG is away on vacation. It stated that Mr. Clark of Global Affairs confirmed that he would appear on the 27th. On the 24th, we received an indication that he would not be appearing, and then yesterday there was a bit of a convoluted back-and-forth between the clerk and GAC. In the end, it came out that we would have to wait until September 3 and then we could discuss a new date. Then this morning we received confirmation that Mr. Clark would be available on September 4 or September 12.

**Mr. Irek Kusmierczyk:** As I understand it, because I've seen various comments on social media and elsewhere, Mr. Clark, through GAC, was working with our committee to find a time to appear at this committee. Is that correct?

**The Chair:** The email I received from the clerk on August 8 said that GAC had confirmed his appearance, and then on August 24 they withdrew it. Yesterday it was "we'll see", and then it was "when he's back September 3, we'll find a date". Then this morning we received confirmation of available dates. It appears they did confirm and then it was "not available", and now, this morning, two dates were made available.

**Mr. Irek Kusmierczyk:** Yes. He's made himself available to appear at this committee. I wanted to get that on the record.

I would like to ask our witnesses here today a question. The listing price for the unit was \$9.3 million, and the government paid \$8.84 million Canadian, which is half a million dollars off the price. How were we able to knock that price down?

**Mr. Thomas Aabo:** I appreciate the question.

The unit itself is located in the landmark portion of the Steinway factory building, a building that dates back about 100 years. The development had originally seen some relatively high pricing and hadn't been selling at the pace they were looking to sell at. They started to reduce the price, which brought the price of the unit into the parameters that the Government of Canada was seeking to stay within. At that point, the unit selected by the client was the last remaining residence in this landmark tower, and as such, for the developer, it would have been considered a success to dispose of the last remaining unit. They were friendly to the negotiation position we took for the Government of Canada.

**Mr. Irek Kusmierczyk:** As I understand it, you visited or looked at 21 properties. It started at 39 properties and went down to 21 properties that were looked at. The price varied between \$8 million and \$21 million. The Canadian government chose pretty much the lowest-price property.

Do you feel this was a good deal for Canadian taxpayers?

**Mr. Thomas Aabo:** As per my opening remarks, we believe as real estate agents that this was a very attractive enterprise for a very attractive asset in a rarefied part of the city that is, per Mr. Miller's commentary, frequented by 95% of government dignitaries from other foreign organizations. The Government of Canada was able to secure the asset well below the average price that other foreign governments pay for their assets. It's our estimation that it was a very attractive price.

**Mr. Irek Kusmierczyk:** Mr. Aabo, in your experience, do you expect the value of this property to go up?

**Mr. Thomas Aabo:** We can't speculate, but we can certainly say that the Steinway building, as an example, is considered by many in the industry as one of the finest examples of modern architecture. They're certainly not going to be building many more of them. There's only a limited amount of space there. It's a prime location. Given that real estate is primarily about location, space and availability, we believe it will substantially increase in price over the years.

• (1125)

**Mr. Irek Kusmierczyk:** Looking at—

**The Chair:** I'm sorry. We are past our time, Mr. Kusmierczyk.

Mrs. Vignola, go ahead, please.

[Translation]

**Mrs. Julie Vignola (Beauport—Limoulo, BQ):** Thank you, Mr. Chair.

Good morning, Mr. Miller and Mr. Aabo.

Mr. Miller, the median price of properties in New York is \$1.6 million, which means that 50% of properties are worth less than \$1.6 million and 50% of properties are worth more.

What can a buyer expect to get in Manhattan for \$1.6 million? Is it even possible to find a property at that price in Manhattan? Also, is it in a good location?

[English]

**Mr. Jonathan Miller:** I'm sorry. There's no interpretation coming into my headset.

[Translation]

**Mrs. Julie Vignola:** Okay, that's fine.

I could do the interpretation myself, but I won't.

[English]

**The Chair:** Mr. Miller, lower down on Zoom, it shows a planet. If you click on that, it should give the interpretation. I apologize. We should have done that in advance for both of you.

That's your time, Mrs. Vignola.

**Voices:** Oh, oh!

**The Chair:** We'll start from the beginning, Mrs. Vignola. Can you ask your question again, please?

[Translation]

**Mrs. Julie Vignola:** Yes, of course.

I was saying that the median price of a property in New York is about \$1.6 million. That means that 50% of properties have a selling price of less than \$1.6 million and 50% of properties have a higher selling price.

Mr. Miller, what can you buy for \$1.6 million? Is it possible to buy property near UN headquarters at that price?

[English]

**Mr. Jonathan Miller:** I'm sorry, but I...

**Mr. Thomas Aabo:** If Mr. Miller is unable to hear the question, I might be able to answer it.

[Translation]

**Mrs. Julie Vignola:** Yes, please, Mr. Aabo.

[English]

**Mr. Thomas Aabo:** Thank you.

If I understand the question correctly, you're saying that the median price of an apartment in New York City is \$1.6 million, meaning 50% are less and 50% cost more. The question was, in what areas can you purchase such an apartment? I think the answer, simply put, is that you can purchase an apartment in pretty much every area for \$1.6 million. That's a meaningful amount of money. However, once you start adding certain requirements to that apartment, you will dwindle down the number of units, depending on what area you are looking in.

Mr. Miller's firm has a number of studies that can tell you exactly how much apartment, per square foot, you can get in each neighbourhood in New York City. I'm sure he'd be happy to share that with you.

[Translation]

**Mrs. Julie Vignola:** What can you buy for \$1.6 million? Could you buy a property in Midtown Manhattan for that? If so, would it be suitable for a consul's residence?

[English]

**Mr. Jonathan Miller:** I think I figured out the interpretation.

In Midtown, \$1.6 million U.S. would probably get you a studio apartment, which sounds like it would not be adequate for the needs of the consulate.

• (1130)

[Translation]

**Mrs. Julie Vignola:** Thank you.

My next question is for Mr. Aabo, but you can expand on his answer, Mr. Miller.

According to the description of the house, it has luxury elements that include wall coverings, flooring materials and other amenities such as stoves and fridges.

Would an identical apartment in the same building, minus the \$19,000 in marble and appliances, have still sold for about \$6 million U.S.?

[English]

**Mr. Jonathan Miller:** The answer would be no. The value of the property is essentially the sum total of the amenities that go into it, so the quality of the construction would be inherent in the value of the property.

[Translation]

**Mrs. Julie Vignola:** What you're saying is an apartment of the same size, but without those extras, would probably be a little less expensive, but less attractive.

[English]

**Mr. Jonathan Miller:** That is correct.

[Translation]

**Mrs. Julie Vignola:** Thank you.

[English]

**The Chair:** I'm afraid that is our time.

Mr. Bachrach, it's over to you, please.

**Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP):** Thank you, Mr. Chair.

Thank you to both of our witnesses for appearing and helping us understand a bit better the context in which this transaction took place.

The one thing that stood out to me was the drop in asking price from \$10.7 million to \$6.9 million. Is that usually seen or is it out of the ordinary? It seems like a fairly significant drop in asking price.

**Mr. Thomas Aabo:** I'll chime in and maybe Mr. Miller will add something at the end.

It is fairly unusual to watch any type of real estate asset priced at one end get reduced by 40% without selling at the same time. There was a very specific dynamic taking place in that area, especially with that building. There was a transition in ownership and a desire by the new owners to, in essence, transact, and the willingness to transact turned out to be for the benefit of the Government of Canada.

**Mr. Taylor Bachrach:** Thanks for that.

Mr. Miller, do you agree?

**Mr. Jonathan Miller:** Yes, I do.

**Mr. Taylor Bachrach:** Okay.

Looking at the appraisal that was done for the condo that was purchased, the appraiser notes "cautious optimism" when it comes to the long-term health of the Central Park South real estate market. It says that the neighbourhood's endearing popularity and limited new inventory are likely to sustain long-term residential demand.

Is that a view that both of you gentlemen share?

**Mr. Jonathan Miller:** Yes. There is a distinct difference between the condo and co-op markets. The Midtown neighbourhood is essentially the central business district of Manhattan. It has seen an influx of residential condo development, and in the long run, we're expecting price growth going forward.

**Mr. Taylor Bachrach:** Just on the surface, would it seem this is a reasonable investment if you're looking at the chance that this property appreciates over the years or decades that the Government of Canada holds it?

**Mr. Jonathan Miller:** I can't speak to whether or not it's a good investment. I can speak to the market conditions, and the market conditions suggest, as we have seen for the past decade, that the condominium market has more of a potential upside direction over the long term than the existing co-op market, which currently outnumbers condominiums in the market three to one.

• (1135)

**Mr. Taylor Bachrach:** Thank you.

Mr. Aabo.

**Mr. Thomas Aabo:** I would agree with Mr. Miller's assessment. The area is still up-and-coming in the sense that a lot of new development has been released to the market that has been more or less adopted by the market. Again, with the continued influx of foreign investment into New York, we anticipate that will continue to grow. We agree with the appraiser's assessment.

**Mr. Taylor Bachrach:** Thanks for that.

One of the criteria that led to the conclusion that the existing—or former, I suppose—property was no longer suitable had to do with rules imposed by the co-operative in which it was located that constrained GAC's ability to hold events at the property.

I'm just curious. You noted that the current property is not located in a co-op. Are there any rules that constrain GAC's use of the property?

**Mr. Thomas Aabo:** The rules of a condo building are very different from the rules of a co-op building, which is one of the reasons, as you said, that the government appeared to have desired to move to the new location.

The new location certainly has rules. Every building in New York City, I would imagine anywhere, has rules. We acquired those rules and shared them with the committee, I believe, or they are on their way to you. It is our understanding from a review of those rules that they are severely less limiting than what a co-op board was presenting in the past.

**Mr. Taylor Bachrach:** Mr. Aabo, I don't know if we've gone over this already, but what precisely were the rules that were problematic at the former location?

**Mr. Thomas Aabo:** I can't speak to those rules exactly, as I was not the holder of the apartment nor restricted by those rules, but in general, co-op boards are more restrictive. Co-ops are very focused on a specific type of family and family lifestyle, not necessarily suitable for a public residence of the sort of a mission of Canada.

**Mr. Taylor Bachrach:** At the consul general's property, there are two separate roles. One obviously is the diplomatic role when it comes to entertaining other diplomats and high-profile officials and having events, that sort of thing. The other role is responding to the needs of Canadian citizens, particularly emergency travel requests.

Are members of the public, like Canadian citizens who need emergency assistance with travel documents, able to access the new property without any barrier?

**Mr. Thomas Aabo:** Thank you for the question.

**The Chair:** I have to interrupt. Please give a very brief answer.

**Mr. Thomas Aabo:** The new condo has very strict security measures and several points of entry that are supervised. They would need to be cleared by the residents of the condo in order to access it, but if they were cleared, they certainly could access it.

**The Chair:** Thanks very much, Mr. Bachrach. I'm glad you brought up the issue of the condo rules. Global Affairs actually promised at our last meeting to get some information back to us on those rules that day or the very next day. I checked with our clerk yesterday, and they still have not gotten back to us. I'm glad you brought it up.

Global Affairs, if you are watching this, and I assume you are, you owe us those documents. You promised us those documents, or at least a response about them, so I hope you will get to providing them to this valued committee.

Mr. Brock, go ahead, please.

**Mr. Larry Brock (Brantford—Brant, CPC):** Thank you, Chair.

I'm going to be directing questions to you, Mr. Aabo.

I understand that your real estate firm is currently the listing agent for 550 Park Avenue, unit 12E, the existing consul general premises. I also understand that you played a part in the purchase of West 57th Street. Is that accurate?

• (1140)

**Mr. Thomas Aabo:** That is indeed accurate. We participated in two RFP processes, one for the purchase of the new official residence and one for the disposal of the existing residence.

**Mr. Larry Brock:** Thank you. I wanted to confirm that.

Government of Canada officials, Justin Trudeau's government and Global Affairs have confirmed that the purchase of West 57th was predicated on the fact that the Park Avenue property required, in essence, over \$2 million in renovations. It was originally purchased in 1961, it had renovations completed in 1982 and it was good enough for 19 previous consuls general, except for Tom Clark, who wanted a different location and was granted that.

I think it's disingenuous—and I think it's actually a lie to Canadians—that Justin Trudeau and his government are claiming that this property was essentially a fixer-upper. That couldn't be further from the truth, and I'm going to quote from your listing page for Park Avenue:

A perfect example of the grand Golden Age apartments of the 1920s, this...masterpiece is full of volume, scale, and ideal circulation. A great room with 11' ceilings and large windows that frame exposures to the north and east invite you into the heart of the home, while the adjacent dining room could comfortably host down a dinner of 18. Designed for hospitality, a commercial kitchen and butler's pantry are further complimented by direct access to a separate staff office and storage room, as well as the in-unit laundry. A den/library just off the entrance gallery, as well as a powder room, complete the northern wing.

Along the southern corridor, four bedrooms, all with en-suite bathrooms and walk-in closets, and two with corner exposures offer privacy and comfort.

With its high ceilings, large windows, herringbone walnut floors, and ample storage throughout, this residence offers the perfect framework for generation living and is truly a space to behold.



That, sir, is your listing. That is hardly indicative of a New York City condo adjacent to Billionaires' Row that demands 2 million dollars' worth of renovations. Would you agree with that?

**Mr. Thomas Aabo:** It is a wonderful residence, and it will serve, very well, owners who have the needs the residence offers up. If those needs are no longer met, residents will probably want to find—

**Mr. Larry Brock:** In your professional opinion, this is not a fixer-upper. Is that correct?

**Mr. Thomas Aabo:** In my professional opinion, that is not a fixer-upper.

**Mr. Larry Brock:** Sir, this is move-in ready luxury in a heritage building, isn't it?

**Mr. Thomas Aabo:** It is move-in ready. It's a wonderful residence. It's in a heritage building.

**Mr. Larry Brock:** That's correct.

Did the government offer you any specifics on how they were going to spend 2 million taxpayer dollars for renovations at Park Avenue? Did they offer any details?

**Mr. Thomas Aabo:** We have not received any of that information.

**Mr. Larry Brock:** Of course not. Did they even mention to you that part of the rationale for looking for a new location adjacent to Central Park on Billionaires' Row was the \$2 million expected to renovate this luxurious condo?

**Mr. Thomas Aabo:** It was shared as part of the criteria, yes.

**Mr. Larry Brock:** They shared that with you?

**Mr. Thomas Aabo:** They shared that due to renovation costs, it made more sense financially to pursue another residence.

**Mr. Larry Brock:** All right.

They also told us at committee that it wasn't accessible, and when I drilled down on the government to see what that meant, they said they had to widen the entranceway to a bathroom. Couldn't that have easily been done at Park Avenue as well?

**Mr. Thomas Aabo:** It is sometimes difficult to do work in co-op buildings especially. It's part of the reason the cost is so high. It probably could have been done.

**Mr. Larry Brock:** It's not impossible, is it, sir? Answer, please.

**Mr. Thomas Aabo:** It's not impossible.

**The Chair:** Thank you, Mr. Brock.

Ms. Damoff, welcome to OGGO. Go ahead, please, for five minutes.

**Ms. Pam Damoff (Oakville North—Burlington, Lib.):** Thank you, Chair.

It's a pleasure to be here with you today.

I want to read something from the Vienna Convention on Consular Relations from 1963. One of the articles says the role is as follows:

(b) furthering the development of commercial, economic, cultural and scientific relations between the sending State and the receiving State and otherwise pro-

moting friendly relations between them in accordance with the provisions of the present Convention;

This consulate is responsible for \$200 billion a year in business. Its role is to host events that promote Canada and businesses within Canada. I don't think any of us would sneeze at the \$200 billion a year in business being generated through this consulate for Canada. That's a significant amount of money. To portray this residence as simply a residence, not as a residence and also a place of business, is misleading.

In 2021, we passed the Accessible Canada Act. Accessibility in these residences around the world should not have to be legislated. It should be the right thing to do. The fact is, we need to make these residences accessible to people with disabilities, and to ignore that fact.... I would argue that changing a doorway in a heritage building, especially in a condo building, is not as straightforward as the Conservative members would lead people to believe.

The Conservatives bought the previous residence under Mr. Diefenbaker in 1961. Oddly enough, two Conservative prime ministers, Prime Minister Mulroney and Prime Minister Harper, felt that it was important to have someone in New York conducting business for Canada. All of a sudden they're trying to portray this as a political decision, that somehow we're wasting taxpayers' dollars. I would say that at \$200 billion a year, it's a good deal for Canadians to have someone there who is representing our interests. I would challenge any Conservative to ask why Mr. Mulroney, Mr. Harper and even Mr. Diefenbaker felt it was important to have this kind of representation in New York City.

I have a question for you, Mr. Miller. You talked about the need for appraisals and neutrality in valuations and the need to not have politics involved when you're doing that. Could you speak to that a bit, please?

● (1145)

**Mr. Jonathan Miller:** Thank you so much for the question. I'd be happy to.

In terms of neutrality in valuation, our firm, for example, does a tremendous amount of matrimonial work between parties. We're actually hired by both parties because we take the neutrality position very seriously. Neutrality essentially means that any appearance of non-neutrality.... The appearance of favouring one party over another is toxic or poison for the credibility of the final valuation.

We have found, in our experience, that it has resulted in much better outcomes for the parties if the person providing the valuation is not influenced or pressured by either party.

**Ms. Pam Damoff:** Mr. Aabo, I'll turn to you briefly, because I have only a minute left. We've heard some of the requirements that the Government of Canada needed for this property, including accessibility, but there are many other ones. I suspect that this narrows down the availability of residences significantly. Could you talk about that? Also, do you feel that the Government of Canada made a good decision in selling the previous property—it didn't meet those guidelines and required significant repairs—and in purchasing the property in New York City?

**The Chair:** You have about 20 seconds.

**Mr. Thomas Aabo:** Briefly, as we talked about earlier, there were 39 properties that we were able to find for consideration in the entire region or sphere of influence that the Canadian government decided to be in. Thirty-nine is not a lot among tens of thousands of apartments available in the area. It was not easy to find, but I think they were very successful in their final decision.

When it comes to whether or not it is a wise decision to dispose of the current residence, we believe now is a good time for that and are happy to participate in it. We think both decisions were smart moves driven by criteria already set by Global Affairs.

• (1150)

**The Chair:** Thanks very much.

Mrs. Vignola, please go ahead.

[Translation]

**Mrs. Julie Vignola:** Thank you, Mr. Chair.

Mr. Miller, what puts ideas into people's heads is the name “Billionaires' Row”, which refers to the area where the apartment is located. However, I imagine other places in New York could also be called that. It may just be a more appealing name.

Is the area somewhat mixed, or is there really a greater concentration of people with substantial private wealth?

[English]

**Mr. Jonathan Miller:** The answer is, as I believe Mr. Aabo mentioned as well, that there's quite a diverse mix of residential properties in the area. It is primarily a commercial district that has seen an influx of development, especially after the financial crisis. We're talking about eight or nine supertalls that were constructed post [Technical difficulty—Editor]. Prior to that, it was not that type of property at all.

[Translation]

**Mrs. Julie Vignola:** I guess if it had been called “Crappy Row”, nobody would have wanted to build houses in that area.

[English]

**Mr. Jonathan Miller:** The phrase “Billionaires' Row” is a marketing term, something that Manhattan or New York real estate is well known for. It's an aspirational name, but it does not reflect the majority of the housing stock in that location.

[Translation]

**Mrs. Julie Vignola:** Thank you, Mr. Miller and Mr. Aabo.

I'm done, Mr. Chair.

[English]

**The Chair:** Thanks very much.

Mr. Bachrach, go ahead, please.

**Mr. Taylor Bachrach:** Thank you, Mr. Chair.

I have a question for Mr. Aabo.

You were fairly intimately involved in this transaction, advising Global Affairs, looking at other properties and talking to them about their requirements. At any point did you have any interaction with Mr. Clark, the consul general?

**Mr. Thomas Aabo:** During the process of selecting, sourcing, visiting and reviewing 39 properties and narrowing those down to 21, four, two and one, I did not meet with anyone from Mr. Clark's office. Once the selection had been made, several individuals from the mission, including Mr. Clark, came to tour the property as part of, I believe, a final vetting of some sort, but this was after the decision had already been made that they were going to proceed with that property.

**Mr. Taylor Bachrach:** Thanks for that.

Turning to the former property that Global Affairs owns and has listed on the market, are you familiar with that property?

**Mr. Thomas Aabo:** Yes, I am familiar with it.

**Mr. Taylor Bachrach:** Perhaps this is a question for Mr. Miller, who's a bit less closely tied to these transactions.

The property is currently listed at \$13 million, a price at which Global Affairs and the Government of Canada would realize a profit, yet we see with the newly acquired property that the asking price had to be reduced by about 40% before the property sold. Is \$13 million a reasonable asking price in your approximation, or would you expect that it would sell for considerably less than that?

**Mr. Jonathan Miller:** As a licensed and certified appraiser, because I have not looked at the specifics of the property but only the market that it sits within, I'm unable to answer your question professionally.

**Mr. Taylor Bachrach:** Can you provide any sort of comment on the amount below the asking price that properties like this are typically selling for percentage-wise, or is it all over the map?

• (1155)

**Mr. Jonathan Miller:** On average, in the Park Avenue market, we're talking somewhere between 5% and 10% below the original ask if it's priced correctly.

**Mr. Taylor Bachrach:** Those are all the questions I have, Mr. Chair. I'll turn it back to you.

**The Chair:** Thank you very much. You're right on time.

Mrs. Block, go ahead, please.

**Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you very much, Chair. I will be splitting my time with my colleague Mrs. Kusie.

Mr. Aabo, you mentioned in your opening remarks and again in one of your most recent responses that there was an initial list of 39 properties. Can you table that list with the committee and include the locations and prices, please?

**Mr. Thomas Aabo:** We'd be happy to.

**Mrs. Kelly Block:** Thank you very much.

Quickly, I'm going to follow up on a couple of lines of questioning by a couple of my colleagues.

Mr. Aabo, I thought I heard you say that you were made aware by GAC of the need for renovations, but not to the extent that they have indicated to the committee. Can you tell me what the impact on the sale price of a unit would be knowing that there are significant repairs needed?

**Mr. Thomas Aabo:** The easy way to answer the question is that, as you tour a new property, depending on the requirements of the buyer, those repairs will either be important or less important, depending on the final use of the property. In the specific case of 550 Park Avenue, the pricing that has been set went through a very rigorous process that we always apply to any residence that's being posted for sale. Included in that consideration is the potential need for repairs, to be decided by the final purchaser, of course.

**Mrs. Kelly Block:** Really quickly, the price included what GAC indicated as a need for \$2.6 million in repairs. The price set for that unit reflects that.

**Mr. Thomas Aabo:** The price set for the unit reflects that there is a potential for what we call upgrades to the unit.

**Mrs. Kelly Block:** Thank you.

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Thank you very much.

My first question is for either witness.

Do either of the witnesses have knowledge as to where the current Canadian representative to the United Nations resides?

**Mr. Thomas Aabo:** I can answer that question. I do have knowledge.

**Mrs. Stephanie Kusie:** Please go ahead.

**Mr. Thomas Aabo:** Should I share where he resides?

**Mrs. Stephanie Kusie:** Please.

**Mr. Thomas Aabo:** Okay. Is that public information? I'm not sure.

**Mrs. Stephanie Kusie:** If it's the same information that I have, it's that he currently resides in the Park Avenue residence, the same building as the former residence of the consul general. This is my understanding.

I'm seeing you nod. It seems that you're in agreement. That's very interesting to me.

Does the current Canadian representative to the United Nations have any plans to sell this residence, to leave this building and find another residence? Are you aware of that?

**Mr. Thomas Aabo:** I believe that's an answer best provided by Global Affairs. I am not aware of a current plan to dispose of it.

**Mrs. Stephanie Kusie:** It's very interesting to me that this previous residence was not good enough for the consul general, yet somehow it remains good enough for the Canadian representative to the United Nations. There seems to be some type of disconnect, that this residence is good enough for one Canadian representative in NYC but not good enough for the consul general. It's very interesting.

Mr. Chair, I'm going to summarize by saying how very disappointed I am in this government for not seeing value for money for Canadians compared to the Harper government. The Harper government sold the Dublin residence for \$10 million. We sold the entire Hong Kong mission for \$86 million in 2016. We sold Macdonald house for \$530 million—this was above the asking price—and unified two buildings in purchasing the house next to Canada House, for a savings of \$250 million. Finally, I'll note that we listed Coral Gables, the official residence in Miami, a residence I have visited, for \$5.2 million.

In closing, I'll say that under the previous administration, the Harper government, we sold more than 80 diplomatic properties for more than \$720 million. This is the type of value for money that Canadians deserve, and Liberals should come to understand this.

Thank you very much.

● (1200)

**The Chair:** Thank you, Mrs. Kusie.

We'll finish up with Ms. Atwin.

Go ahead, please.

**Mrs. Jenica Atwin (Fredericton, Lib.):** Thank you very much, Mr. Chair.

It's good to see everyone. Thank you to our witnesses for being with us today.

Mr. Miller, can you talk about how the New York real estate market compares with other major markets?

**Mr. Jonathan Miller:** New York City, specifically the Manhattan market since we're talking about it, is one of the highest-priced if not the highest-priced housing markets in the United States. Certainly, the purchase side and the rental side are both at the top of the list. I've been in the market since the mid-eighties, and this has been a consistency of the market.

The challenge of the market is adding new supply. It's very expensive and difficult to build in the market. Manhattan has very little excess land, so the product that comes into the market tends to skew toward the higher end of the price range.

**Mrs. Jenica Atwin:** Great. Thank you very much.

Mr. Aabo, the property listing for the condominium at 111 West 57th Street describes it as a property with “modern conveniences within grand spaces”, and describes various amenities to which residents have access, such as “an 82 foot...swimming pool with private cabanas”. To what extent do property evaluations and appraisals consider the value of such amenities in assessing market value?

**Mr. Thomas Aabo:** I think maybe Mr. Miller will want to answer that on the appraisal side.

From the broker side, most new developments use the amenities and additional facilities as extra ways to entice residents to come live with them rather than in a neighbouring building. They're used primarily to create additional value. I would say that the calibre of some of these facilities stands the test of time and will potentially help in maintaining the value of a residence as well.

**Mrs. Jenica Atwin:** Great.

Mr. Miller.

**Mr. Jonathan Miller:** Think of the amenities as a suite of things that help establish the property at a certain value point within the market. Usually properties of a high calibre have a certain minimum number of amenities that are expected by potential buyers. In the Midtown location, for example, about 85% of the new development condo purchases over the last decade have been by international buyers. It would be just the opposite downtown. There's something about the amenities suite being offered in Midtown that is attracting this market.

**Mrs. Jenica Atwin:** Thank you very much.

On August 21, at our last committee meeting, we had officials from GAC. They estimated that the life cycle of this residence would be between 55 years and 60 years, and that its value would

appreciate during this time. Would it be reasonable to assume that the new official residence at 111 West 57th Street will appreciate at a rate higher than inflation over this period? Could you explain that, possibly?

**Mr. Jonathan Miller:** I would be in agreement that because of the restraint on supply in the market, especially in the new development space, for the period 50 or 60 years down the road, it would be a reasonable estimate to assume that the price growth of the property in the long run would be at or above inflation levels.

**Mrs. Jenica Atwin:** Those are all my questions for now.

Thank you, Mr. Chair.

**The Chair:** Thanks very much.

Mr. Miller, we'll book you for 50 years from now to see if your prediction holds true.

Colleagues, if you want to put that in your calendar, that will be 2074.

Witnesses, thank you very much for joining us today. We appreciate it.

Everyone, we'll get back to you once we talk to everyone involved regarding Mr. Clark.

With that, we are adjourned.

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