

voice of experience



Past, present and future

Simon's life's work was Jim's perfect foundation. Whether it will accommodate the next generation, however, remains yet to be seen.

Story by Stephen Kimber • Photo by Mike Tompkins

Jim Spatz

was keen to put his own mark on his father's company.

It was 1988 and after 13 successful, satisfying years as a doctor, including a stint as the acting chief of the emergency department at a large Montreal hospital, Spatz had returned home to Halifax the year before to join Southwest Properties, the apartment construction and rental business his father had created from the whole cloth of his ambition and determination.

“The transition from second to third [generation] is the toughest for any family business. It’s easy to pass on money, but how do you transmit attitudes, values?”

Simon Spatz had arrived in Halifax in 1950, a penniless 34-year-old Holocaust survivor. First, he’d built a thriving independent grocery store, then branched out into real estate, investing in one small apartment building, then another and another, eventually building ever larger apartment complexes as his own general contractor. By 1988, when Simon was 72 and his son was closing in on 40, Southwest’s apartment portfolio included nearly 900 units, making it one of Halifax’s largest and most successful landlords.

So why would Simon now want to switch gears and jump into the unfamiliar and much chancier world of commercial and retail real estate development – just because his doctor-son thought it was a good idea?

Truth be told, Simon wasn’t sure he even wanted his son in his real estate business. For starters, he worried his son would be “too soft” for the rough and tumble of business negotiations. Besides, Simon’s expectation, Jim says now, had always been that his book-smart only son would find his place in one of the professions while his daughter “married a hungry young version of Simon,” and eventually took over the business.

But that hadn’t happened, and “I’d always had this itch,” Spatz says today. When he was a child, he would accompany his father to his construction sites. “I still love the smell of freshly poured concrete,” Jim says. “I love the endless possibilities of a building when you can stand there [on the top floor] and look out at the view before there are any windows, and imagine... because you haven’t yet

made your first mistake.”

When Jim arrived back in Halifax in 1987, his father was just beginning construction of The Terrace, a six-storey apartment building in south end Halifax. Jim’s biggest contributions to that project were to hire a landscape architect (a significant expense, and one Simon would not have incurred) to determine exactly where to locate the building, and then to spend another \$15,000 to get the exact right window frame colour to match the blue infill panels on the exterior walls. His father called it a “terrible waste of money... For a year after that, when we were talking about the building to people on the outside,” Jim would later confide to Simon’s biographer, Michael Cobden, Simon “would make reference to his son who ‘liked to spend money.’”

Now, a year later, Jim had talked his father into spending even more money to buy Sunnyside Mall, an ideally situated but anchor-less, down-on-its-luck suburban Halifax shopping centre that the Bronfman estate wanted to unload. His father was reluctant, Jim acknowledges, but “the motivation for me was that it was an avenue for growth. The numbers were better in commercial than in apartments at that time.”

And, of course, he also wanted to make his own mark on his father’s company.

But his dream had almost collapsed before it began. Southwest bid \$9.5 million; the estate, which had initially asked for \$11.5 million, had come down to a \$9.55 million final offer, and Jim was keen to accept. But then his father “got up [from the negotiating table], put on his hat and walked.” It was the Bronfmans

who caved, quickly accepting Southwest’s final offer. Simon, his son says admiringly, was “a helluva negotiator. He knew the easiest money to make is near the end of a negotiation, when you’re almost agreed.”

They would need every dollar Simon had saved them, and then some, to weather the nasty recession which struck just as the Spatzes broke ground on a \$20-million redevelopment of the mall in the summer of 1989. The recession turned out to be even nastier for real estate developers and their retailer clientele.

It was a sobering learning experience for the boss’s son. “Even if you take care of your own knitting,” Jim says now, “there are factors you have to be aware of, a wider world beyond your control that can affect outcomes in business.” That late eighties downturn, he learned later, had followed a predicable eight-to-nine year upswing in the retail cycle.

Which may explain why, when we meet 25 years later, when we meet 25 years later, on a wintry weekend morning in 2014, Jim Spatz is immersed in a Harvard Business School case study on the Brazilian economy. He is preparing to discuss the case next week with other members of his study group of eight equally high-powered business leaders. These Harvard courses, which Spatz has been taking for close to a decade, are one of the perks of membership in the World Presidents’ Organization, a global network of 20,000 of the world’s best and brightest CEOs. The courses, and case studies, are designed to help them make smarter in-the-moment, on-the-ground decisions.

The Spatzes did survive the recession, thanks, in part, to Simon’s conservative investing philosophy, which kept them from ever betting the farm, and, in part, because of a father-son insistence on quality in every project they do. When the mall lost its first anchor tenant in 1995, making the situation even worse, they resisted pressure from their lenders to go after a national chain, opting instead to make Pete’s Frootique, a locally owned “destination for foodies, gourmands, food lovers

and families," the centrepiece of their upscale shopping experience.

Sunnyside went on to not only win International Council of Shopping Centers awards for best redevelopment in its size class, but the project itself also turned into a sweetly predictable moneymaker for the company.

"By the time we were out of the woods at Sunnyside," Jim recalls today, Simon "was quite proud."

The torch had been passed from father to son. Josef "Jim" Spatz had made his mark.

Today, Jim Spatz's Southwest Properties (Simon died in 2007 at the age of 91) is continuing, as Spatz puts it, to "elevate our game. Since I arrived, we've done every type of development: retail, mixed residential and retail, office, warehouse, hotel, mixed single, townhouse and condo... mixed socio-economic too."

The company (which has investments in everything from distress-sale condos in Florida to the historic Algonquin Hotel and Resort in New Brunswick to Premiere Executive Suites, a "provider of luxury temporary residences with over 1,200 properties in 38 city centres from coast to coast") currently has more than \$700 million in new projects on its books.

Southwest will begin excavation this spring for a "gorgeous and iconic" 21-storey mixed retail and residential development on the site of the former Bank of Canada building in the heart of downtown Halifax. With nearly 300 apartment units, "it will be the biggest apartment building ever built downtown." It will also, like other recent Spatz projects, be built to the Leadership in Energy and Environmental Design (LEED) gold standard. It is not lost on Spatz that sustainability has become a theme in those Harvard case studies.

That development will probably still be little more than an excavated hole in the ground when Spatz begins construction this fall on yet another signature downtown project, a \$75-million, 250-unit residential, retail and

public space development on a 1.5 acre waterfront site known as the Cunard block, which just happens to be next door to Spatz's own earlier award-winning Bishop's Landing residential-retail project.

And then, of course, there is the mother of all Southwest developments, the Motherhouse Lands Project, a \$500-million, 10-year project on 63 acres of land on the edge of the Halifax peninsula where the Sisters of Charity's Halifax headquarters once stood. Located just minutes' drive from the Irving Shipyards (home to a jobs-generating \$25-billion contract to build Canadian navy ships), the Motherhouse project is "an opportunity to create a community," says Spatz. "We've never had that before. We'd like to create a heart for the community, which will be a retail, restaurant, cafe kind of heart, and rich with amenities." The new "green" community will be home to 4-5,000 people and feature active transportation links for walking, cycling and rollerblading. "No one will be more than a six-to-seven minute walk from the [community] centre," Spatz explains.

The overlapping timing of the new projects, Spatz says, is coincidental. "We threw our hat into a few beauty contests, and we eventually won them." Southwest had bid on the Motherhouse site back in 2004, in fact, and came in second. But the chosen developer eventually went bust "and we were still interested." Likewise, he adds, "it was hard to say no" to bidding on the Cunard block. "We have a lot at stake, and we think we can develop that project to complement Bishop's rather than cannibalize it."

Spatz isn't worried the company has taken on too much. Unlike his father, who liked to keep control of all aspects of his business, Jim has realized that growing the company means hiring the right people and letting them do what they do.

That isn't the only way in which father and son differ. Simon, who grew up poor in Poland and then survived the Holocaust, was more than careful with his money. "He lived in the same house way beyond the time when his means would have allowed him to move into something much more luxurious," Jim says, adding: "When he bought a car, he'd keep it for 10 years." Jim, on the other hand, admits to a "weakness" for cars. He owns a Bentley, an "old-fashioned" 1969 Mercedes 280 SL sports car, a Porsche 911 and an SUV, though he jokes sheepishly that he "downsized by one car recently."

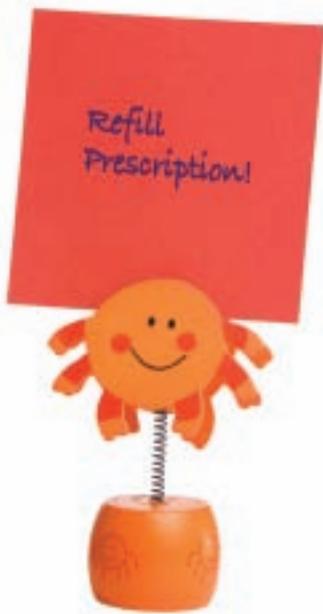
While his father was "married to his business" and would never dream of joining elite organizations like the Halifax Club ("he didn't want to sit around") his son attempts to achieve a life-work balance that also involves cycling, skiing, traveling and "spending time with the people I love."

He's also more involved in the larger community. After Hurricane Juan ripped through the heart of Halifax in 2003, Spatz headed up a 15-member committee tasked with overseeing an international design competition to create a long-term plan for devastated Point Pleasant Park. He's a lifetime director of the Neptune Theatre and chair of Dalhousie University's Board of Governors. Spatz donates to all manner of good causes too, from helping establish a chair in Jewish Studies at Dalhousie, to lending the

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family name (and a considerable financial donation) to a new theatre space in Halifax's new Citadel High School, to providing funds to help underwrite a provincial pilot project to improve the math skills of Grade 7 students.

Simon restricted his own involvement in politics to trying to outwit the bureaucrats who controlled his projects. Once, Jim recalls, his father went to the city development office for a permit he needed for a project. "Come back in a few days," the bureaucrat told him. "We'll have it ready then." "That's all right," Simon replied. "I'll wait." Jim laughs. "And he sat down in a chair in the waiting room until he got his permit."

Jim Spatz operates at a higher level. He was one of the key business backers of Mike Savage's successful 2012 campaign for mayor of Halifax and, in 2010, he accepted an appointment to serve on then-Nova Scotia Premier Darrell Dexter's Advisory Council on the Economy.

For someone used to the business decision-making process, it was an eye-opener. Although Spatz acknowledges the committee (one-third from business, one-third from labour and one-third from the voluntary and non-government sector) probably wasn't appointed to offer the government bold advice, "we sometimes strayed there." At one meeting with provincial bureaucrats, he remembers talking with a deputy minister about the need for the government to begin taking stronger measures to deal with the province's many problems. The deputy minister looked him the eye. "We don't do bold," he said.

Jim Spatz believes it's long past time for our governments to do bold.

"My advice to the government?"

Jim Spatz mulls the question. "It's time to leave the old ideas behind."

Like, for example, the notion that you can stop inevitable urbanization. "By 2050, most people will live in cities, so we can't keep subsidizing old

industries" in order to save rural communities that could not survive otherwise. Propping them up, Spatz says, has a domino effect. "We end up putting schools and hospitals and services in all the wrong places."

We also need to come to terms with our demographic issues: an aging, ever declining local population base that isn't even being topped up by attracting newcomers. That's a societal as well as government policy issue, he acknowledges. "I was on a flight to Toronto and I was sitting beside this young black woman who'd just got her master's in nursing. I asked her if she was planning to stay in Nova Scotia. 'No,' she told me. So I asked her why not? 'People in Nova Scotia are very polite,' she said, 'but I always feel like I'm a guest in their house. I don't want to feel that.'" So, having been trained in Nova Scotia, she was taking her skills and leaving.

We can't afford that, Spatz says. And we can't afford the kinds of attitudes Spatz recalls hearing a provincial cabinet ministers spout just a decade ago. "We don't need immigration," the minister insisted. "We just need to attract those Nova Scotians who've left to come back home."

Spatz shakes his head. "Most of those Nova Scotians only come back home to retire, and that just adds to the burden on our health care system."

More critically, he says, we need to retain all those Atlantic Canadian young people we now end up training for jobs that only exist some place else. Take our "outsized" teacher training programs, for example, which are still churning out more classroom teachers than our shrinking school system can accommodate. "Those who are really passionate about teaching will find jobs teaching, but they'll have to find them elsewhere. So we've used our precious resources to educate our children so they'll be obliged to leave Nova Scotia to find work." He shakes his head. "We need to use those resources to find ways to retain our young people."

Spatz acknowledges that what he's suggesting will be difficult,

"Politicians are looking at the next election in two years. But, as citizens," he adds, "we no longer have the luxury of throwing money at old ideas."

Jim Spatz is almost 65. He has been in the development business now for 25 years and he has begun to think, tentatively at least, about succession and the future of his family business. He already understands the traditional ways of passing the business from father to son may not work this time around.

Neither of Jim's two sons, who are now 23 and 26, currently work at Southwest. Both, ironically, have gone down the road. One is a commerce grad who works on Bay Street; the other is an entrepreneur whose North of Brooklyn Pizza has become a trendy Toronto food destination.

"The transition from second to third [generation] is the toughest for any family business," Spatz acknowledges. "It's easy to pass on money, but how do you transmit attitudes, values?" Still, he adds, "there are models out there. The Sobeys have understood the difference between owning and running a business. Family members only became active in directing that company if they were at least as qualified as the best outsider recruit. My boys may not necessarily become active in the company. When I'm gone, it will be up to them what they want to do, but we also have a great and growing team of people" at Southwest who understand how to run and grow the business.

Not that Spatz himself is planning to step down any time soon. "I'm 64 and a half and a bit," he tells me. It is not lost on him that his own father and mother lived into their nineties. Or that he still has plenty he wants to accomplish himself.

"I never want to be retired," he says. •

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