

Olympic Village problems ask some never-again questions

Property development is a business; municipal government, anything but



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If you are a Vancouver property owner you should know by now that you and your fellow ratepayers are pretty deep into the real estate development business. Oh, and by the way, business isn't that great today.

Like many developers today, you are suddenly being confronted with the realities of the Olympic village development — a risky business made even riskier during a world-wide economic tsunami. The ride can be a frightening experience when the markets are moving downward. Hold on tight.

It's normal business for city governments to collect property taxes, pay people to maintain roads and sewers and plan land use. Usually cities don't actually develop land.

With the veil of secrecy that until recent days almost shrouded all the details of the Olympic Village development you can be forgiven for not realizing your city councillors actually got into the development business, spending your tax dollars and pledging your collective assets to a multi-billion-dollar real estate development project that from the outset seemed risky at best.

But with real financing problems and a new council having to face the realities of meeting the commitment to deliver the housing for Olympic athletes only months from now, general details of the project are surfacing.

They paint a not so pretty picture.

How much trouble are taxpayers in? Has the Millennium development company provided enough collateral security to the city to protect taxpayers from ever having to actually spend tax dollars to cover project losses?

Will the city ever recoup the actual costs of assembling and developing the Southeast False Creek lands?

These are all valid questions and ones that need to be answered if taxpayers are going to ever know how pretty, or not, the deal ends up being. But they are not easy to answer today.

So far, only a few people at city hall have all of the details. Only the general details have been made public, so speculating on the eventual outcome of what has become a very complex business deal is as risky as the venture itself.

Meanwhile, eventual market conditions will largely influence the final outcome. None of us have a crystal ball that reveals the future of the real estate market.

However, with these details still to come, perhaps it is time to start to formulate a couple of key questions that should be part of the public dialogue now. These questions can help everyone learn from this whole experience.

You might ask at the outset: how did the city get into the Olympic Village development and the larger real-estate play that encompasses the other 68 acres of taxpayer-owned land in Southeast False Creek?

It's ironic the city has risked taxpayer dollars by getting into the one game that seems to have almost obsessed Vancouverites over the last five or six years — the condominium "game."

There's probably a big lesson in that reality.

Perhaps we've turned the business of building, selling and buying homes in which people might live into something that it isn't and shouldn't be. Buying a home — a roof over your head — shouldn't be some kind of exercise in mass consumerism and a speculative sport. Enough said on that one.

When the city committed to VANOC, the organizer of the 2010 Games, to deliver the athlete's village for the Olympics, few probably realized city hall was writing a blank cheque. That whole issue can be debated when we are doing the post-mortem on the Games.

The second question that needs to be asked is: should local government, or any government for that matter, be in the real estate development business?

Vancouver's city council determined quite a number of years ago that Southeast False Creek would become a showcase project for sustainable urban development. Councillors decided the city would be the land developer, selling land to residential and mixed-use building developers to generate a return to the city's Property Endowment Fund.

The Southeast False Creek development is larger than anything the city had ventured into in the past as a land developer using the PEF.

What business expertise resides in city hall to negotiate a complex business deal of this magnitude with sophisticated private sector developers?

Are the governance systems at city hall, with councillors doing little due diligence of their own and relying solely on staff assurances robust enough to protect taxpayers?

When councillors voted to approve the sale of the Olympic Village lands to Millennium in April of 2006, they relied on a staff report that stated that Millennium's purchase price was "guaranteed to the city with no risk-sharing" and Millennium presented a financing plan for the project that was "independent of market conditions . . . and does not ask the city to assume any of the marketing or financing risk in the development."

What knowledge and business experience resides in city hall sufficient for a senior member of staff to make such a declaration?

If these questions can be debated and answered as this project continues to unfold, perhaps the city might be better able to manage the final outcome of this project to minimize negative impacts on taxpayers.

Let's hope.

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