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Confirmed losses on B.C.'s Olympic Village \$230-million and rising

By GARY MASON
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City has been less than honest about hit to taxpayers

When reporters left a briefing with City of Vancouver officials last week on the troubled Olympic Village project, there was unanimous agreement on the storyline: losses were now estimated to be in the neighbourhood of \$40-million to \$50-million.

While still bad, it was a far cry from the dire and pessimistic predictions that had been made in some corners, including this one, that the city's Village-related deficit could exceed \$150-million. But thanks to the heroic efforts of the governing Vision Vancouver party, it looked like the hit taxpayers were going to take wouldn't be nearly as bad.

As it turns out, the city's losses will be far worse than many forecast. Because, while officials were telling the media that the city expected to recover all but \$50-million of the \$579-million owed by defunct Millennium Development Corp. on its construction loan, it forgot to mention the nearly \$180-million the developer hadn't paid Vancouver taxpayers for the land it purchased.

So, in fact, the losses on the project will total at least \$230-million - that is, if the city is lucky and the stars align just right for the sale of the 340 or so remaining condos.

And that is far from a sure bet. Plus, there are other costs that don't seem to be calculated into the accounting provided to reporters last Friday, such as strata fees that are accruing on rental units that aren't yet occupied. There is very likely interest charges that need to be taken into account too, plus fees that need to be paid to the receiver that is managing the project.

But that wasn't the message the city wanted to deliver on Friday. Instead, city manager Penny Ballem took reporters through a power-point presentation that highlighted the many actions that the Vision-controlled council had taken to mitigate some of the losses on the development.

I have no problem with outlining some of the decisions made to help cushion the blow to taxpayers. But at least be honest about what the final tally is instead of trying to deceive people.

When all is said and done, the Olympic Village will likely represent the biggest financial disaster in the city's recent history. A responsible government would be completely up front with its citizens about where things stand rather than trying to sweep a nearly \$180-million land loss under the mayor's carpet.

And as I say, the final amount could be much higher yet. Just look at the numbers.

Of the \$579-million Millennium owed on its construction loan (which was separate from the \$178-million it owed for the land), the city is saying it expects to lose up to \$50-million. So let's round it off and say it anticipates recouping \$530-million of the total loan amount.

Of that, it hopes to reap about \$70-million from the sale of assets seized from Millennium Development Corp. Olympic Village marketer Bob Rennie recently sold 118 condos for an undetermined amount. But they were smaller units, not luxury ones. Let's say the average price was \$700,000. That would provide another \$80-million or so. So now your loan amount is down to about \$380-million.

Mr. Rennie has 340 units left to sell to make up the \$380-million left. That is more than \$1-million a unit. Not a chance in the current market, even if some go for a few million each. And Mr. Rennie is having to sell these units amid dreadful publicity generated by a class-action lawsuit launched by earlier buyers who want out of the Village because of what they insist is horrible workmanship and shoddy design.

And as mentioned, we haven't factored in ancillary costs such as the receiver's fees, estimated to be \$8-million by some, and other accrued interest costs that could well be in the millions. And we also haven't mentioned the \$65-million in overruns on the social housing at the Village, which many feel should be calculated into any final accounting.

That would push the Olympic Village-related losses close to \$300-million.

It will likely be a couple of years before we know how much Vancouver taxpayers got soaked on the Village. But it is far, far more than \$40-million to \$50-million. And it will likely be north still of the \$230-million the losses are now confirmed to be.

It's too bad the current city government is so insistent on playing politics with the project instead of just giving people the straight goods. There's no way to sugar-coat this debacle. So why even try?

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