

FEATURE With the clock running and costs soaring, Vancouver and Whistler ready for 2010 Winter Olympics

Four years to gold

DERMOT MACK/BOB MACKIE

WESTERN INVESTOR

Like a bobsled on a fast track, there is no turning back for the organizers of the 2010 Winter Olympics despite fears of what may be around the next bend.

With heavy sponsors on board and costs accelerating, the **Vancouver Olympic Organizing Committee** (VANOC) appears in for a wild ride with four years left to the start of the games.

The first milepost is just after January 23, the federal election, when VANOC's urgent requests for extra funding may finally get a hearing in Ottawa.

The committee had an \$8.67 million shortfall on venue development for the fiscal year ending July 31, 2005, according to financial statements audited by **Ernst & Young** and released on December 9. The audit showed VANOC had received \$3.7 million from the federal government and \$30 million from the provincial government. In addition, the **International Olympic Committee** contributed \$6.3 million to VANOC during the year as an advance on broadcast revenues.

In November, however, VANOC CEO **John Furlong** told a Vancouver Board of Trade meeting that soaring construction costs for Olympic venues were a major concern. The original cost estimates for venue construction was \$510 million, but industry estimates are that the red-hot B.C. building boom has driven up the cost of materials by as much as 40 per cent since Vancouver was awarded the Olympics in 2003.

The committee has applied to both the province and the federal government for additional assistance for sports venues, above their commitments of \$255 million each.

While B.C. has set aside a contingency fund to cover such requests, the aid hinges on matching funds from the federal department of Canadian Heritage. VANOC sent out the call for aid on November 22, just before the federal government fell and the election started.

As of *Western Investor* press time, no one knew which party would form the new government, let alone who would control Olympic purse strings.

Fueling a boom

Still, as the countdown continues, the 2010 Olympics are already credited for boosting the entire provincial economy.

"Growth in British Columbia will rise to four per cent in 2006 – the third-highest rate



Photos: VANOC

Whistler will host 2010 Olympic downhill ski events. Top: The Olympic Speed Skating Oval will anchor a Richmond mixed-use waterfront development. Bottom: VANOC's plan for the Vancouver Olympic Village on the south shore of False Creek, among Olympic projects that have boosted B.C.'s economic performance.

in Canada – thanks to major projects like the 2010 Winter Olympics," said **BMO Financial Group** chief economist **Rick Egelton**.

Like other analysts, BMO counted transportation and facility projects that are not officially part of the Olympics.

These include the \$1.7 billion rapid transit Canada Line, the \$626 million upgrade of the Sea-to-Sky Highway and the \$530 million new Vancouver Trade and Convention Centre, now all under construction.

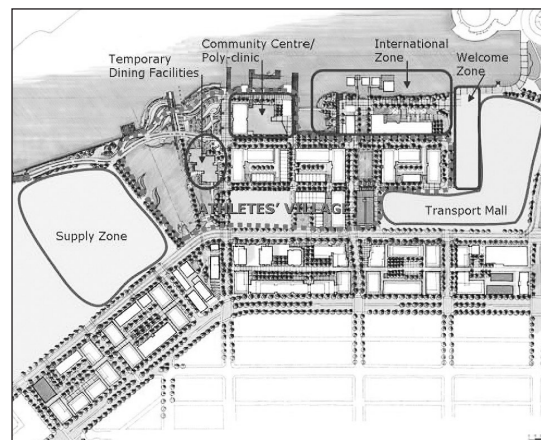
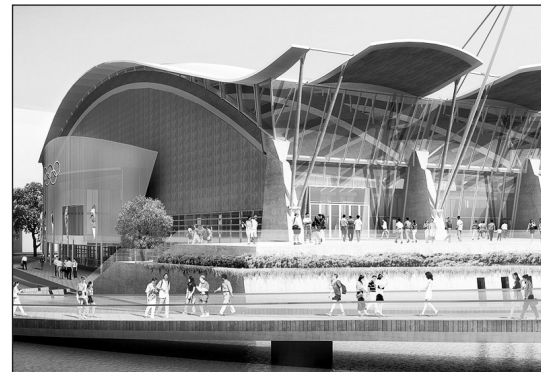
The strength of the building boom in B.C. can be seen in the employment numbers, Egelton noted. The unemployment rate has fallen to 4.9 per cent, its lowest level on record. "Of the 69,800 net new jobs created in B.C. last year, 27,400 were in construction," he said. "We expect the unemployment rate to stay below five per cent by 2007."

Spin offs

Aside from institutional projects, the Olympics have also spurred a number of private developments.

Vancouver's newest five-star hotel-condominium, being built near the new convention centre, is a prime example.

The 415-room, 47-storey Fairmont Pacific Rim Vancouver will rise 457 feet above Coal



Harbour. With over 800,000 square feet of retail, hotel and condo space, it will be one of the largest private-sector towers in the city. Vancouver-based **Westbank Projects Corp.** and the **Peterson Investment Group** are jointly developing the \$350 million project.

Construction is scheduled to begin this summer for completion by mid-2009.

Condo prices will average approximately \$1.9 million, according to **Bob Rennie**, principal of **Rennie Marketing Systems**, which is spearheading the project's residential sales. Concerns about a glut of high-priced downtown condos flooding the market in the years leading up to the Olympics are unwarranted, according to Rennie.

The Vancouver Olympic Village is credited with spurring development near the south shore of False Creek, and the Canada Line has drawn developers into the Cambie corridor.

Olympic-related upgrading of the Sea-to-Sky Highway has also attracted 15 development bids to Squamish, which has called for expressions of interest in the multi-million dollar redevelopment of the town's waterfront and downtown. As reported elsewhere in this issue, a short list of five "world class" developers, all based in B.C., were to be announced in late January.

In Richmond, the city is using construction of the \$178 million Olympic Speed Skating Oval as the catalyst for a new waterfront sports arena, commercial and residential development with extensive parklands. Oval construction begins this May and it is to be complete in two years. The city recently purchased a stretch of former **CP Rail** lands to accommodate access to the waterfront site.

Backers on board

VANOC has lined up an impressive number of sponsors, with more to be announced this month, just prior to the start of the 2006 Winter Olympics in Torino, Italy. The 2010 Games' bid book, published in early 2003, anticipated only \$160 million in cash and in-kind income from eight to 10 premier national sponsors.

Yet **General Motors Canada** drove VANOC past the \$600 million mark in sponsorship when it became the latest national sponsor of in

November.

GM's \$67 million cars and cash deal pales in comparison to **Bell Canada's** \$200 million, **RBC Financial Group's** \$110 million and **HBC's** \$100 million, but it's significant nonetheless.

Petro-Canada (\$62.5 million) and **RONA** (\$68 million) round out the roster. VANOC is still looking for a beer sponsor and an air carrier.

GM's deal means 6,000 vehicles will be earmarked for Olympic use in the next five years – 30 per cent of the cars and trucks will be hybrids or alternative energy-fuelled.

While some revenues have been advanced under the sponsorship agreements the significant payment schedule starts this year.

VANOC has now secured office space and its staff already exceeds 130 people. Some construction cost cutting has been done, such as combining some ski venues in Whistler, in all reducing venue costs by about \$85 million.

The unstoppable schedule is for the 2010 Olympic Winter Games to be staged in Vancouver and Whistler from February 12 to 28, 2010. Whistler will host the Paralympic Winter Games from March 12 to 21, 2010.

The clock is running and the track is set. Now all VANOC needs is the money. ♦