

## Council interference caused the fiasco of the athletes' village

New revelations about the City of Vancouver's involvement in the Millennium Water development published in The Vancouver Sun Saturday show how political and bureaucratic interference drove up the cost of construction and financing through inertia, inconsistency and mismanagement.

BY VANCOUVER SUN OCTOBER 20, 2010 BE THE FIRST TO POST A COMMENT

New revelations about the City of Vancouver's involvement in the Millennium Water development published in The Vancouver Sun Saturday show how political and bureaucratic interference drove up the cost of construction and financing through inertia, inconsistency and mismanagement.

The problems started from the moment the city agreed to build the athletes' village for the 2010 Olympics -- a commitment it made to the 2010 Bid Corporation in November 2002.

Although Vancouver won the bid in June 2003, the city dithered for two years before putting out a call for developers to design and build the project.

In April 2006, it finally awarded the contract to Millennium Properties, which offered about \$200 million for the land on the southeast side False Creek.

But the city delivered tainted goods; the land was contaminated. Millennium was stuck with the \$20-million cleanup cost, although it was the city's responsibility, and construction was set back by three months.

Then, the city changed the LEED silver environmental standard it had set in its request for proposals, and to which Millennium had agreed, to LEED Gold, a more-demanding standard that required different methods and materials -- leading to huge cost overruns.

Every homeowner knows that costs escalate when you change plans in the middle of a renovation and so it was with the city altering the design even as construction was underway.

Because the city had abandoned normal development procedures, it was impossible to finance the project under ordinary bank borrowing terms and high-interest financing probably added as much as \$50 million to the cost.

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When the city took over the financing, it was able to borrow at the lower government rate, but refused to pass on the savings to the developer. Because the city wasted so much time, the construction deadline was tighter than it would have been otherwise, and Millennium was forced to pay for thousands of hours of overtime in order to complete the project on time for the Winter Games.

Rob Macdonald, president of Macdonald Development Corp., estimates that the city's actions added \$150 per square foot in construction costs to the typical market cost of \$300 a square foot.

Given this history, the audacity of Mayor Gregor Robertson's warning earlier this month to Millennium, which was a few million dollars short on a \$200-million instalment, to pay its purported \$561-million debt is breathtaking.

Disparaging comments from some councillors and city staff about the development, slow sales, social housing and poor market conditions have done nothing to improve the situation.

Over time, the city may emerge from this fiasco with a small financial gain; Millennium, which managed to deliver the athletes' village on time despite the numerous obstacles the city threw in its path, will likely not be so lucky.

The lesson to be learned from all this is that politicians and bureaucrats should leave development to the developers.

There is little expertise in construction or finance at the political level, and while it may reside within the bureaucracy, city staff is obliged to execute the council's agenda.

Vancouver's successive city councils created a crisis from the outset and the current council continues to make it worse.

Now the city should back away, far away, and leave the marketing experts to sell the units -- all the units -- at the highest prices they can command.

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