



City of Richmond

Report to Council

To: Richmond City Council
From: Lani Schultz
Director, Corporate Administration and
Olympic Business
Re: **Oval Expenses**

Date: December 16, 2005

File:

Staff Recommendation

That Council receive the following Report as information.

per Lani Schultz
Director, Corporate Administration and Olympic Business
(4286)

REVIEWED BY TAG

YES



Staff Report

Origin

At the Closed General Purposes Committee meeting on Tuesday, December 13, 2005, staff were asked to prepare an information report to Council that detailed all direct capital and non-capital costs associated with the Richmond Oval project to date.

In addition to the detailed information in the following Report, staff is developing an Olympic Business Planning and Cost Framework to keep Council and the public informed of key Olympic Business and Oval Construction milestones as well as financial implications. This tool will incorporate both Capital Construction and Olympic Business-Related milestones, key descriptors, projected costs and actual costs. To ensure Council is kept apprised of progress, schedule and financial impact of this project, staff intend to update and present this information to the Finance Committee every three months.

The Olympic Business Planning and Cost Framework tool will be presented to Council for approval in January, 2006. A sample of this Framework is contained in Appendix 1 for information and comment.

Analysis

The Richmond Oval is the largest single project ever undertaken by the City. In addition to direct construction-related activities, fulfilling the City's vision for the Oval and the commitment and desire to leverage Richmond's Olympic participation for economic, social and other community benefits has required an intensive commitment of staff time and resources.

The scope of the Oval and Olympic business work to date and ongoing activities can broadly be reflected in nine category areas.

1. Bid Preparation

The City's Bid preparation phase was an intensive undertaking conducted in an extremely short time frame. In order to prepare the official Bid for the Oval, the City undertook an extensive visioning process to determine the scope of the opportunity offered by being a venue host city and to assess its compatibility with the City's Corporate and Official Community Plan. This included a requirement for due diligence including significant best practices research, in consultation with various Oval operators.

After determining to proceed with the Bid, the City was engaged in preparing the comprehensive Bid presentation, which again was prepared in a very short period, and required input and contributions from staff, as well as support from a variety of outside consultants, in order to meet VANOC's competition deadline. The final phase of this section of the work was preparing for the announcement of Richmond's selection as the successful bidder for the Oval, which entailed hosting of a major media event and preparation of detailed information materials for Council and the public's benefits fully outlining the City's proposal and its implications for the community.

2. Communication and Community Engagement

Since announcing its intention to bid for the Oval, the City has been involved in a continuous and comprehensive communications campaign in order to inform both internal (including Council and staff) and external stakeholders of Richmond's Oval and Olympic vision, provide progress reports, provide opportunities for public consultation and build community knowledge and support of the project.

In support of this, the City has conducted more than 200 hours of public information and consultation activities through dozens of meetings, including public open houses, the site rezoning public hearing, and presentations and discussion with community and other specific stakeholder groups. In addition, the City has also conducted an intensive public information campaign, including half a dozen major media events, more than two dozen media releases, hundreds of individual media interviews, extensive information advertising in the English and Chinese-language media, a comprehensive Oval section on the City website, regular internal updates to Council and staff and other activities.

The City also recruited and selected three Oval Advisory Committees, to represent both the interests and expertise of the community at large, which continue to meet on a regular basis and provide timely and important advice to the City in the ongoing development of its Oval and Olympic planning.

3. Oval program development

It has become clear that a viable and sustainable facility program is integral to successfully fulfilling the City's vision for the Oval. In addition, the core elements of the program needed to be developed quickly in order to be effectively folded into the ongoing facility design.

The City continues to engage in extensive consultation with potential community, regional and national stakeholders in order to determine a program model that will provide for a viable and sustainable facility and leverage Legacy Trust funding. This includes an initial Expression of Interest call to identify potential facility users, numerous meetings with provincial, national and international sport development bodies to determine potential opportunities, market needs and cost benefits for facility uses and discussions and negotiations with potential sports and wellness tenants. City staff have also undertaken considerable best practices research, including consultation with and visits to relevant facilities to observe operating models and acquire knowledge about the challenges and opportunities inherent in operating a multi-purpose facility such as the Oval.

This research has been used to support ongoing program development in support of the Oval design and business planning process and will continue as we progress toward and enter the actual pre and post Game operating modes of the facility.

4. Contractual Development with VANOC, IOC and other Olympic partners

As a latecomer to the planning for the 2010 Olympic Winter Games, it has become clear that the City has much work to do to achieve an appropriate level of partner recognition and benefits, relevant to those previously negotiated by other project partners such as the Government of

Canada, Province of BC, City of Vancouver, Resort Municipality of Whistler and Four Host First Nations, in order to ensure the City's interests are properly represented and protected in the planning and conduct of the Games and administration of the Legacy Trust.

This has required extensive negotiation with VANOC, the IOC and other project partners to confirm Richmond's status as a full partner in the Games family. This includes participation by City staff in a variety of partner working groups, meetings, conferences and other events, and participation by the CAO on the VANOC board.

In addition, staff worked to ensure partner obligations and benefits were clearly formulated within the City's venue agreement with VANOC. This work will continue to be a major focal area as subsequent sub-agreements governing Games operations, marketing and other areas, as detailed within the master venue agreement, are negotiated, concluded and implemented.

In return for the approximately \$60 million capital contribution to the City and \$38-60 million capital equivalent value of Legacy funding the City is expecting to receive, and with the City's recognition as a full partner, has come considerable obligations. The City is required to support a variety of VANOC and IOC activities. In many cases, participation in these activities is also advantageous to the City as it provides the opportunity for the City to conduct further best practises research, pursue its own Oval programming objectives, and promote economic development and other broader City objectives such as creating waterfront amenities. This includes the hosting of such events as visits by IOC research missions such as the IOC Coordination Commission and other members of the Olympic family.

The City has also committed to participating in VANOC's Torino Mission, which requires extensive strategic and operational planning to ensure Richmond is properly represented on the international stage, achieves significant benefits in knowledge transfer, promotes trade and tourism development and provides a substantive return on investment. The primary benefit beyond the learning experience, however, is the opportunity to advance the City's position for Legacy funding.

5. Leveraging Olympic opportunity

Participation in the Olympic Games provides the City with an unprecedented and unparalleled opportunity to showcase itself to an international audience and position Richmond as an evolving major centre for trade, investment and tourism and as unique community that offers distinct advantages for residents, business and visitors.

In order to fully capitalize on this the City is working on several levels to ensure it presents a prominent and positive profile to the world, both before, during and after the 2010 Games.

As a Games partner, the City has the opportunity to associate itself with one of the world's most powerful brands, the Olympic rings. Association with the Olympic brand, internationally recognized as a symbol of excellence, will be a powerful tool in fulfilling the City's objectives from its Games involvement. However, access to the rings and other Olympic branding is not given either automatically or easily. The City made access to the Olympic brand a key element of its venue agreement negotiations and through extremely difficult and time consuming negotiations was able to obtain guaranteed use of these marks. However, exact parameters of this

access is subject to complex, ongoing negotiations with VANOC and IOC which are critical to the success of the City's overall Oval vision. The City will have the opportunity to further this initiative through direct contact with IOC officials in Torino.

VANOC is also engaged in developing the Look of the Games, based on Olympic and VANOC branding, which will include a diverse array of banners, signage, building wraps, public art, interactive installations, way finding signage and other decorative/promotional outdoor and indoor livery, which will be installed in and around Games venues and communities to create excitement and encourage community participation. As a major venue host, the City is consulting with VANOC on development of this program, including the level of local participation, cost implications and potential long term community legacies.

However, association with the Olympic brand alone will not fulfil the City's goals. The City is working on the development of a comprehensive Oval branding and marketing strategy, which will need to be integrated with the City's existing branding/marketing efforts in order to ensure Richmond presents a unified positive image to the world, which can then be leveraged to meet economic development and other objectives.

The City has identified significant tourism and economic development opportunities arising for the City from its Olympic participation. While the City will be exposed to billions of viewers through TV coverage of the Games, a proactive approach is needed to turn that exposure into real growth in tourism and economic development. Staff are developing a tourism strategy (in conjunction with the availability of new community tourism funding from the Province via the UBCM), while also working to ensure Oval and Olympic Opportunities are integrated into existing economic development strategies.

The Olympics make the greatest use of volunteers of any single event in the world. More than 25,000 volunteers will be involved in various aspects of the staging of the 2010 Olympics. This provides an unrivalled opportunity for volunteer capacity building within the region and in Richmond. Though the venue agreement, the City has ensured that Richmond residents will be given priority opportunities to volunteer for test events and the Olympic speed skating competition to be held at the Oval. This will leave the City with a renewed and expanded volunteer base that can be mobilized for future Oval events and other community building activities. In order to ensure, this benefit is fully captured, City staff will be working with VANOC to refine the parameters for local resident participation in volunteer opportunities, as well as developing an overall volunteer management strategy to align the Olympic opportunity with overall City volunteerism needs.

6. Business Planning

Operations of a multi-purpose facility such as the Oval will be complex and challenging. The Oval will provide a myriad of community benefits in the area of sport, wellness, special event uses and act as a catalyst for waterfront and community development. However, revenue generation must be maximized and costs strictly controlled in order to ensure that the Oval strikes an acceptable balance between community benefit and financial viability.

A key component of the Business Plan will be securing sufficient Legacy Trust funding to underwrite potential gaps between general facility costs and revenues. The City is engaged in extensive consultation with VANOC, the Legacy Trust and various sports governing bodies to ensure the Business Plan maximizes the opportunity for Legacy funding without negatively conflicting with community needs and financial realities. Through the venue agreement, the City has also initiated negotiations to obtain representation on the Legacy Trust board, so that it can be a full partner in the discussions and decisions around distribution of funding. The City will have an ongoing relationship with the Trust post-Games both in terms of administering its funds and ensuring that Richmond is meeting its obligations vis a vis legacy funding.

Best practises research has indicated that the governance model chosen for the Oval will be a key element in determining the long-term success of the Business Plan. The City is carefully researching potential governance models to ensure the Oval has the level and form of operational oversight best suited for delivering on the financial, community and legacy obligations for the facility.

The opportunity provided by the Oval's siting within a larger, unencumbered City land parcel provides a distinct advantage in developing a sustainable Business Plan. It allows the City to ensure complimentary and synergistic development occurs on the adjacent property, which will enhance the viability of the Oval. Developments such as a hotel, restaurant and other complimentary services, as well as creating an overall destination point through the mix of the Oval, surrounding public amenities, shops and services and other commercial and residential development will help drive traffic and users to the site and generate additional operating revenues. Through the site master planning process and supporting area planning, City staff have been working closely with planning, development and business experts to achieve a balance that provides maximum economic support for the Oval project, while remaining within the context of the Official Community Plan and other objectives.

Sponsorship provides an additional pillar of support for the overall Oval Business Plan. The profile of the Oval as an Olympic venue, a unique high traffic facility, and an architectural, environmental and cultural landmark will make it highly attractive for potential sponsors. However, best practices research has shown that sponsorship is an extremely complex field. Sponsorship rarely involves a straight cash payment in return for a simple sponsor recognition opportunity, but rather can include complicated choices surrounding service and supply contracts. In addition, the desire to maximize use of Olympic branding adds an additional challenge and obligations in managing and avoiding conflicts between potential sponsors, while striving to enhance revenues. City staff are working to develop an overall sponsorship strategy, while already dealing with substantial approaches by potential sponsors, to ensure Business Plan projections are achievable.

7. Event Strategy

The staging of the 2010 Olympic Winter Games are but one element of the events that will be associated with the City's participation.

As a Olympic partner, the City is working with VANOC and other partners to develop a strategy for using the upcoming Torino Games to create community excitement and support for our own

2010 Games, as well as to promote the City's overall Olympic objectives. Staff are currently preparing a report for Council consideration on potential local activities that Richmond may wish to stage in conjunction with the Torino Games.

The conclusion of the Torino Games will also mark the beginning of the Cultural Olympiad for the 2010 Games, which will be a four-year arts and cultural festival throughout BC. Considerable funding opportunities will be available through Legacies Now and other sources to support Cultural Olympiad events, which the City hopes to leverage as seed money to promote expansion of the local arts community and development of special events, in keeping with the overall objectives of the Richmond Arts Strategy. Legacies Now funding is also available in a number of other key sectors, including sport, literacy and volunteer. As an Olympic venue host community, Richmond has been assured it will receive significant funding through Legacies Now. However, accessing this funding will require a coordinated strategy by the City, working in conjunction with the Richmond Spirit of BC Committee and other community groups. With the beginning of the Cultural Olympiad nearing, it is becoming critically important that the City move forward with this strategy development area.

As part of the preparations for 2010 Games, Richmond will host at least one major international test event in the Oval and is likely to host one or more other significant competitive events during the pre-Games period. Extensive negotiation is still required to determine exact operational and financial responsibilities and obligations for VANOC, Richmond and other partners in the staging of these events. While VANOC will have a significant role in the conduct of these events, the City will have significant responsibilities and expectations in terms of event operations. These events will be critical in providing staff with the operational expertise to manage the facility long term. At the same time, the City will be in the international spotlight for these events, and it is imperative that they are successfully delivered in order to ensure the Oval's long term success. Staff will be negotiating formal agreements with VANOC to cover the issues surrounding the staging of pre-Games test events.

As an Olympic partner, the City is asked to participate in a variety of other events associated with the Games, ranging from knowledge transfer conferences and activities, to protocol events to special community celebrations. While some of these events simply require City participation as part of its Olympic commitment, many provide significant benefit to the City such as a recent knowledge transfer conference that focussed on the Games impact on City operations. These ongoing activities require a considerable commitment of City staff time in order to ensure Richmond is adequately prepared for the Olympic opportunity.

8. Managing Impact on City Services

Through ongoing dialogue and best practises research, the City has become increasingly aware of the significant impact the staging of the Games will have on City operations. This not only includes the unsurprising impact on City services that can be anticipated at Games time, but the adjustments that will be required to City regulations and procedures in advance of the Games in order to both cope with this impact and meet contractual obligations with VANOC. In addition, the impact on services will have substantial financial impact and considerable negotiation will be needed to establish acceptable cost sharing agreements between the City and VANOC.

The staging of the Games will, of course, have pronounced impact on transportation planning, road services, public safety, garbage removal, recycling and other services. The City will be working closely with VANOC to develop service provision agreements that meet the additional demands, while also ensuring that impact on normal service levels to the community are mitigated.

Based on experiences in other venue cities, the introduction of the Olympic overlay at the Oval and Look of the Games throughout Richmond will also present challenges in the areas of building approvals and business licensing and new regulations, policy and procedures will have to be developed to address these issues. The City also has a contractual obligation to protect VANOC from ambush marketing and this will require amendments to City bylaws and enforcement procedures.

With partial federal funding and Olympic sustainability commitments, the Oval is subject to a high level of environmental standards. Completion of the environmental assessment (CEAA) process for the Oval was a rigorous and extremely time consuming exercise for staff. The City will continue to face a high demand on its environmental programs as the project progresses to ensure it meets the commitments made through the CEAA process.

9. Neighbourhood Development and Placemaking

While building and planning the Oval is a huge undertaking in its own right, it is also happening concurrently with the planning of the new urban waterfront neighbourhood on the remainder of the City's 32-acre property. In fact, this segment of the work is probably the most important element of the Oval project in that its success is critical to ongoing viability of the facility, financing of the project and achievement of overall planning objectives for the entire City, including development of the City Centre and waterfront.

The importance of neighbourhood development and placemaking is reflected in the huge volume of work completed to date and ongoing.

Initial planning work began immediately after the success of the Oval bid in order to achieve the time sensitive goal of rezoning the site by the end of 2004. Following the rezoning, an intensive site master planning process was launched with extensive public consultation, which has led to development of the Site Master Plan and preliminary Olympic Gateway Area Plan. Staff still face considerable work in implementing the Site Master Plan and completing the overall area plan.

Confirmation of the Site Master Plan has allowed staff to proceed with the development of design guidelines for the area and to prepare a draft Request For Proposals for the actual development of the various sections of the Oval Site. Issuance of the RFP will require an intensive information campaign and a rigorous and complex review and selection process, in order to determine the best deal for the City, followed by extensive negotiations to reach contractual agreements with the successful bidder(s).

As part of the Site Master Plan and in support of the Oval Business Plan, the City has determined the need to make the Oval neighbourhood an international destination with a mix of

amenities, services and experiences that will draw visitors from around the world. Staff are currently working to define a more detailed vision of this concept in order to integrate it with the overall site planning process and its development agreements with private sector partners.

Review of Project Costs To Date

The City has been engaged with 2010 Olympics since 2002, when an initial \$500,000 was committed to support the original 2010 Bid with funding supplied from the 2002 and 2003 annual budgets. This money went directly to the Bid Corporation to support its activities.

Since engaging in the Oval process in the various activity areas outlined above, the following costs have been incurred to date

Oval Capital Program

Construction & Design Milestones

(Master Project Schedule)

Milestone	Start	End	COST YTD
Programming	3-Jan-05	18-Jul-05	\$507,590
Environmental Assessment CEAA	15-Dec-04	27-Jul-05	\$116,764
Schematic Design	27-Apr-05	19-Dec-05	\$2,349,510
River Road Relocation	1-Mar-05	30-Jun-05	\$9,010
Site Preparation	28-Jul-05	21-Jul-06	\$960,537
Design Development	20-Dec-05	27-Jun-06	
Building Oval Cast in Place Concrete Works	17-Apr-06	4-Feb-08	
Roof	28-Apr-06	21-Jun-07	
Mechanical Works	14-Nov-06	11-Apr-08	
Electrical Works	14-Nov-06	9-Jul-08	
Building Envelope Works	30-Oct-06	7-Dec-07	
Site Civil Works	7-Nov-06	26-Mar-07	
Commissioning	19-Dec-07	1-Aug-08	

Olympic Oval Business Expenses 2003-2005 (YTD @
12.12.2005)

Expenses	2002	2003	2004	2005 (YTD)	Total
Travel			185,998	273,899	459,897
Contracts & Consultants			99,460	226,277	325,737
Public Consultation			73,299	101,941	175,240
Meeting & Special Event Expenses			3,026	36,784	39,810
General Expenses			21,536	30,282	51,818
Vancouver 2010 Bid Corporation	250,000	250,000			500,000
TOTAL	250,000	250,000	383,319	669,183	1,552,502

With regards to the travel expenses, it should be noted that trips to date can be categorized into four different focus areas, each responding to different stages of the Oval project to date. The following table outlines these categories.

Oval related tours between 2004-2005


	Number of trips in 2004	Number of Trips in 2005	Total Trips
Due Diligence - Staff and/or Council - trips taken to ensure a sound decision making foundation and a business approach to embarking on the Oval project. Destinations included Calgary, Salt Lake City, Lillehammer and Torino	5	4	9
Orientation/ research - Advisory Committees – trips taken to ensure our community advisors were well educated and informed on the scope and breadth of the project, and on the unique requirements of skating, Oval construction and operations. The three tour destinations included Calgary, Salt Lake City and Torino.		3	3
Technical inspection – Trips taken to Torino to learn in detail the technical requirements, challenges and expertise required to produce an Olympic Speed Skating Oval and High Performance Legacy Facility.		3	3
Program Development, - trips that include learning about program related matters, and that provide opportunities to promote Richmond's post Games program. This involved attending the Torino Test Event to see how these facilities operate and what is involved in international event planning. This area also includes pursuing economic development opportunities related to the Olympics and Oval project.		1	1

Financial Impact

Not applicable.

Conclusion

The Olympic Business Planning and Cost Framework tool, which will be presented to Council for approval in January 2006, will provide a valuable tool to assist Council to project and monitor costs through to the completion of the 2010 Games.


per

Lani Schultz
Director, Corporate Administration and Olympic Business
(4286)

1. Oval Business Milestones - Sample for Illustrative Purposes

YTD	\$250,000	XXXXXX	XXXXXX	XXXXXX
Cumulative	\$500,000	XXXXXX	XXXXXX	XXXXXX

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2. Oval Construction Milestones - Sample for Illustrative Purposes**Cost tracking:**

YTD	\$XXXX	\$XXXXXXX	\$XXXXX	\$XXXXX	\$XXXXXX	\$XXXXX	\$XXXXX
Cumulative	\$250,000	\$XXXXXXX	\$XXXXXX	\$XXXXX	\$XXXXXX	\$XXXXX	\$XXXXXX

2003	2004	2005	2006	2007	2008	2009	2010	2011
Preparation of design RFP	Oval Design Charrette	Construction begins	Building substantially complete	Completion of Building	World Cup Test Event	Games	Post Games fit out	First full year of operation
Cannon Architects retained	River Road relocated	etc	ally	Official Opening and Public special event				
MHPM hired	CPR agreement			etc				
Site Rezoned	Site Preloaded							
	Schematic Design completed							