



To: General Purposes Committee **Date:** July 8, 2009
From: Lani Schultz **File:**
Director, Corporate Planning
Re: **2010 Olympic Games Related Business and Major Projects Achievements**

Staff Recommendation

That staff be directed to make the necessary refinements to this staff report and attached synopsis on 2010 Olympic Games Related Business and Major Projects Achievements to make it more suitable for publication and distribution for general community viewing.

That staff submit the updated version of this report for publication in the next City Page Section of the Richmond local newspapers.

Lani Schultz
Director, Corporate Planning
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REVIEWED BY TAG	YES
	<input checked="" type="checkbox"/>
REVIEWED BY CAO	YES / NO
	<input checked="" type="checkbox"/> <input type="checkbox"/>

Staff Report

Background

The City became involved in the Canada Line project at the design concept and procurement phase in late 2003. Shortly after, in the Spring of 2004, Council approved the City taking the responsibility to design and build the long track speed skating Oval for the 2010 Olympic and Paralympic Winter Games. In 2005, the City received the designation of official 2010 Olympic and Paralympic Winter Games Venue City. The full scope of responsibilities and the extent of the challenges associated with the above noted milestones have been fully documented in numerous previous reports. This report focuses on identifying some of the significant achievements made in managing the Oval project, the 2010 Games operations and celebration site planning, and the Canada Line.

Analysis

Government involvement in major projects of any type – bridges, sport complexes, public buildings, etc. – has traditionally been a source of controversy. Generally, public projects receive greater scrutiny than private projects and naturally are held to a higher standard of accountability. Public projects also have greater exposure to the naysayer element – due in part to the many divergent and often competing views and wants for the expenditure of public funds, but also from those people who are naturally inclined to adopt a critical position on public projects and government spending. The Richmond Oval Project did not escape this phenomenon, although in the end the warm public reception afforded the finished product may, to some degree, have helped to offset the overall impact of this dynamic.

In addition to delivering the Oval, the second component of Richmond's involvement in the 2010 Games is our 2010 Olympic Games event program – the creation of an official 2010 Celebration Site – the Richmond O Zone. As was the case with the Oval Project, the O Zone has been a source of controversy and has encountered a similar fluctuating type of popularity to that experienced by the Oval. However, community participation and reaction to the Oval, Winterfest, and other Olympic activities that have taken place leading up to the games continue to provide optimism that the final product or outcome on the delivery of the O Zone will be well received by our general community, and with similar enthusiasm to that which was afforded the Oval.

The size and overall complexity of the subject projects have required City staff to manage major tasks that to a great extent fall outside the City's core area of business, with the need to provide intensive oversight that often involved "business partners" from outside the local area. In order to meet the extraordinary time demands and diverse challenges associated with the Olympic Games and Canada Line Projects, staff needed to establish a reliable network of experienced technical and Olympic Games-related "go-to" resources, partners and sponsor business experts with whom to consult throughout the duration of the projects.

The travel and associated costs incurred to conduct the technical consultations, sponsor and partner negotiations, etc., however, attracted significant media attention and eventually became a

source of considerable controversy. As a result, only the cost, as opposed to the value or benefit of this important aspect of how we have managed the Olympic Games and major projects-related responsibilities has received attention.

Further exacerbating this situation is a general lack of understanding or awareness of the full scope and details of Richmond's 2010 Operational Plan and celebration site. There is a perception of excessive spending that remains unanswered mostly because we have not promoted either the full cost/benefit or the value equation when controversy about the costs arises. The 2010 Expo is an example of the potentially valuable project for which staff presented costs without providing pertinent information on the potential benefits and projected related cost offsets. These requests for additional funding and Council's response to them also provided the impetus for the CAO to initiate a full review of ROBO and the 2010 Strategic Operational Plan with the intent being to ensure 2010 Games projects and planning are being managed responsibly and within the approvals provided by Council. The review proved worth the effort in that it identified opportunities to make operational improvements and to offset the need for some of the additional funding that Council recently approved. However, it also highlights a significant number of impressive achievements that should be recognized and celebrated.

Achievements:

There are a number of important and complex factors that greatly influence the City's ability to leverage the full potential of the Games for the benefit of the Richmond community, which was our primary reason for pursuing the Olympic opportunity. To this end, the development and nurturing of relationships within the global world of the Olympics has been a necessary, ongoing and productive strategy for the City. On many occasions it has been the dynamics and direct interactions between the City and the IOC (and broader Olympic family), or national and international sporting groups, etc. that have allowed Richmond to leverage important opportunities or secure important benefits, that we otherwise would not have realized. Face to face meetings and interactions with experienced Oval operators, Oval construction project managers, past Olympic cities etc., National Sport Organizations, Olympic Organizing Committees, have also been very fruitful in helping the City to meet its Olympic objectives.

Analysis shows the benefits of this strategy greatly outweigh the costs. Since Richmond was awarded the Oval in August 2004, staff's combined travel expenses related to the Olympics and the construction of the Oval have averaged approximately \$93,000 a year, over the 5 year period. A number of significant accomplishments and benefits can be attributed to these trips. Highlights of some of these benefits, which the City would not otherwise likely have realized include:

1. **Finishing the Oval construction, on time and on budget:** There are very few Olympic Ovals in the world, and the tolerance levels and technical specifications for Olympic venues are stringent. Ice quality, slab levels and spans, internal temperature and humidity systems, lighting, engineering required for the massive span of the roof, media requirements, etc. are very unique to Oval structures particular of Olympic calibre. Further complicating this aspect is the fact that the design had to also allow for diverse community uses that are not necessarily compatible with the physical requirements of a long track Oval. As the City took on the construction of the Oval, it was common knowledge that it was by far the most difficult and technical structure to be constructed for the Games, or in Richmond's history. With the

invaluable benefit of touring other facilities and speaking with other contractors and operators, Richmond was able to deliver what is now recognized as the icon of the Games, on time, and on budget, during a time of escalating building costs and much attention about cost overruns for other Olympic facilities.

2. **Construction Cost Savings:** Through several technical meetings, venue tours, onsite meetings with contractors and the project manager of the Turin Oval, and seeing the Turin Oval in action during Games time, City staff were able to identify a creative solution to VANOC's and the International Skating Union's (ISU's) demands that the Oval specifications be increased by 4.5 metres in width. This trip to Turin resulted in a minimum direct net savings estimated to be approximately \$1.9M in construction costs, plus significant additional associated costs that would have been incurred to fit and equip the additional internal space.

3. **Revenues from Land Sales.** When Council approved the use of the City's River Road Site for the Oval, it was with a vision for a new vibrant, animated mixed use area that would successfully achieve a balance of live, work and play elements to create an international destination. As well, the City targeted \$43M in proceeds from the land sales, to offset the costs of building the Oval. Staff undertook the development and implementation of a land use plan for the area that would maximize value by addressing developer risks. Staff utilized design charrettes, explored concepts from various other destination cities, and sought input from various sectors of the community. Several bids were received from the development community for the lands, all for significantly less money than the final achieved value of the sale, and one proposal (highest bid) offering similar terms to Vancouver's Olympic Village agreement (which the City declined). In the end, with the draw of the iconic Oval, and Council's well defined vision for the area, the City was able to attract a well respected quality development company to develop the Oval lands in keeping with the City's vision. The City was also able to negotiate a \$15M increase in the final value of the bid to realize \$141M from the sale in upfront funding. This land deal exceeded the City's original target by \$98M, plus interest accrual from having the money provided up front.

4. **Contributions to Capital:** As part of the original bid to VANOC, \$60M was committed to the City from Federal and Provincial Funds for the construction of the Oval. Through various negotiations, and meetings with VANOC, and senior government officials, sponsors and private individuals, staff were able to increase capital contributions from the original \$60M to \$66.6M. This represents a \$6.6M increase over the amount of funding that was committed to the City and on which Richmond's bid to secure the Oval was approved by Council. A breakdown of these increased funds is as follows:

Chart 1

Summary of Increased Capital Contributions from Senior Governments and VANOC

VANOC	Aboriginal Art	\$ 200,000
VANOC	Grant for Sustainability	\$ 1,000,000
Province of BC	Spirit Square (Plaza)	\$500,000
VANOC	Rona	\$ 1,000,000
VANOC	Accessibility funding	\$ 128,000
VANOC	Advancement of Team Canada Room	\$ 150,000
VANOC	Contribution to Legacy Lounge	\$ 500,000
VANOC	Improvements to tenant space as a result of the Doping Lab Agreement	\$ 1,000,000
VANOC	Miscellaneous contributions	\$488,000
FII Grant	Wood Roof	\$ 1,500,000
Donation	Rowing Tank	\$100,000
BC Hydro	Grant	\$ 36,000
Total		\$6,602,000

5. **Contributions to Operating Costs:** A \$110M Legacy Endowment Fund was created by the Federal and Provincial Governments to support the post Games operations of venues that have generally struggled financially in former host cities. Funding from the Legacy Endowment Fund was one of the primary external funding sources upon which the Richmond Oval proposal was built, setting a minimum target from the fund of \$35M. The Legacy Endowment Fund was to be shared amongst 3 qualifying venues, including the Whistler Nordic Centre, Whistler Sliding Centre and Richmond Oval. City staff took a very proactive approach to securing funding from the Legacy Endowment Fund. Through numerous discussions and negotiations with VANOC, Whistler, the Federal Government, and Provincial Secretariat's Office, City staff were intensely involved in the development of Operating and Disbursement Principles, Sports Access Guidelines, Pre-Games Operating Budgets and Trust Agreement Definitions, to ensure Richmond's needs were addressed. As a result, the GOT Board's decision on distribution resulted in the City exceeding the minimum expectations for Legacy funding as presented in the 2004 Bid proposal of \$35M, by securing an estimated \$62.9M in total allocation of Legacy Trust funds to the Richmond Oval, plus access to a further share of the \$25M post games Contingency Fund. We have also exceeded expectations on the timing, accessing funds three years earlier than planned. This outcome represents an estimated additional benefit of \$27.9M beyond the minimum amount called for in the financial plan of \$35M.
6. **Securing use of the Olympic rings:** Use of the Olympic rings is a highly coveted honour that brings with it significant economic benefit to the City, and helps to increase sponsorship sales in the interior of the Oval. When the City began negotiations with VANOC and the IOC, use of the rings was a contentious issue, with the IOC taking a strong stance to tightly control their use not only during the Games, but more particularly for anyone's use after the Games. In addition, the IOC was firm on limiting the naming rights to the Oval to only official Olympic Sponsors, (none of whom were able or interested in paying anything close to market value, given previous Olympic commitments that they had already made.) Early in the construction process, the City received a naming rights offer that was valued at an estimated \$10M over 10 years, of which

\$6.5 million was cash, prorated at \$430,000 over 15 years. While researching the benefits of this proposal, the City was advised by at least 2 independent marketing consultants that the rights to use the Olympic “rings” and the Olympic name would be more valuable than naming rights alone. Staff, in choosing not to retain a consultant, took a direct role in the negotiation process. Through a series of meetings, contentious negotiations and exchanges directly with IOC representatives, the City was successful in obtaining the rights to use the Rings and the name “Olympic” for the Oval. As well, Richmond is the only 2010 Olympic venue that has the rights to use the rings beyond the Games period, and is one of only 2 venues that retains the “Olympic” name, post games. Independent marketing consultants have assessed the value of this to be in excess of \$10M, and far greater than any revenues the City would receive from sponsor naming rights for the building.

7. **Permission to use non Olympic sponsors on the inside of the building:** In addition to being able to use the rings and the Olympic name, the City was able to successfully negotiate the right to use non-Olympic sponsors on the inside of the building. To date, the City has secured a \$875,000 commitment, plus another \$500,000 in VIK. Another \$750,000 offer is pending. (Sponsor names have not been included in this report, as per contractual obligations; however, Council has approved these commitments in previous reports.) Discussions are also underway that will potentially generate numerous other similar sponsorship deals.
8. **Securing Holland/Heineken House:** Through the development and ongoing nurturing of a relationship with various parties in the Netherlands, the City was able to secure Heineken House, the most popular and successful of the Olympic Nation Houses, for the City’s O Zone. Heineken House is a major feature and arguably the most popular non-competition venue destination for Olympic visitors. It represents an estimated \$5M program activation value in the City’s 2010 Strategic Operational Plan budget, not including the economic spin off benefit to the local business community from the 10,000 visitors per day that are drawn to it. Securing Heineken House involved a number of meetings and negotiations not only with Heineken, but as well with the Netherlands Olympic Committee, the Dutch Skating Association, and their respective Dutch sport and Leisure Marketing firms.
9. **Funding for Getting to Know Richmond Program:** In efforts to pursue alternate revenue sources for the City’s Olympic Expo and other 2010 activities and opportunities, staff secured a commitment from a local industry group and its US parent company for a \$1M USD contribution to the 2010 Get to Know Richmond Program.
10. **Securing of alternate sources of funding:** Through ongoing negotiations and meetings with various governmental and private representatives, the City has, in addition to the above noted capital and sponsor funding, secured \$7.6M in alternate funding from various sources as follows: A \$2M contribution to the Ozone from Tourism Richmond; an additional \$2.290M of cash and value in kind (VIK) confirmed from other sources for the Ozone including BCLC, Panasonic Cold FX, Canwest Publishing, and CTV; \$1.3M confirmed for various other Olympic programs (the Arts and Culture program, Look of the Games, Volunteer Centre, Spirit of BC Committee), \$1.1M for additional policing, \$900,000 from the Provincial Government & Legacies Now – Rick Hansen Foundation for the Middle Arm Greenway, \$200,000 for the Hollybridge promenade from a private donor.

11. **Sport Hosting and Media Coverage:** Ongoing meetings with the ISU, Speedskating Canada, the Canadian Olympic Committee, and various other sport bodies have resulted in the City successfully hosting several international, national, and provincial test events, which have earned a significant value of media coverage for the City to date, with a projection of another estimated \$10M during games time. As well, meetings with these sport bodies and sport congress events, have allowed the City to secure or significantly advance discussions on the hosting of post-Olympic elite sport events with considerable economic value for the City's local economy.
12. **Financial Plan Targets and Results:** Throughout the course of developing the Oval, the Oval precinct, and the Oval business plan, the City vigilantly pursued cost and revenue targets as laid out in the various detailed project financial plans prepared for these projects. In the end, the City greatly exceeded the minimum targets identified in these plans by an estimated total of \$132.5M, as follows.

**Base Oval Project Financial Plan Revenue Targets & Results
(excluding Sponsorship, for which the City has also exceeded approved Revenue Targets)**

Source	Target	Outcome	-Under Targets/ +Exceed Targets (Added Benefit to City)
Oval Land Sales	\$ 43 M	\$141 M	+ \$98 M
Senior Government Commitments to Capital Cost	\$60 M	\$66.6 M	+ \$6.6 M
GOT Legacy Fund – allocation/contributions to offset operating costs	\$35 M (min.)	\$62.9 M	+\$27.9 M
Additional Benefit (+) or unplanned cost (-)		TOTAL	+\$132.5 M

**Staff 2010 Olympic Games Oval Project Travel Cost/Direct Benefit Analysis
(excluding O Zone Sponsors)**

Direct Benefits derived from Travel	Received or Confirmed Cash	Economic Impact	Cost Reduction/ Avoidance	Total Value
Heineken House		\$5,000,000		
Getting to Know Richmond Sponsor Funds	\$1,000,000			
Olympic Rings		\$10,000,000		
Non Olympic Sponsors in interior of Oval -value to date	\$1,625,000	\$500,000		
Construction Cost Savings -Reduction of Oval Foot Print			\$1,900,000	
Totals	\$2,625,000	\$15,500,000	\$1,900,000	\$20,025,000

While the City has made a significant investment in travel related to the Oval and the Olympics, it is important to evaluate this in the context of the benefits associated with it. Notwithstanding the invaluable intangible benefits associated with the Oval and Olympic related travel investment by the City, the estimated value of cost savings and new revenues directly associated with the Olympic travel (i.e. construction cost savings and increased capital contributions, securing the use of the Olympic rings and non Olympic sponsors for inside the Oval, securing of Heineken House, etc.) total a minimum of approximately \$20M, representing \$43 of benefit realized for every Olympic travel dollar spent. A summary of Direct and Indirect Benefits related to the Olympic Business Travel are shown in the above chart.

Financial Impact

The financial impact imposed as a result of acting on the recommendations of this Staff Report are limited to the additional costs beyond the free space provided to the City to publish the refined version of the 2010 Achievements Report in the local Richmond newspapers. This cost is estimated at \$1,000, and falls within the City's approved existing advertising budgets and contracts.

Conclusion

In summary, the City's efforts have resulted in substantial financial and economic returns for this travel investment. It is recognized and appreciated that without the confidence and support of Council, we would not have had the opportunity to achieve these results.

In the final analysis – great cities don't start out being great, people make them great, and great cities offer great amenities which essentially are the reward for the risk. These types of accomplishments can only be realized if someone takes a leadership role, notwithstanding the risks and controversy involved. Council demonstrated this leadership when they agreed to take on the Oval and the official status of an Olympic Venue City, and unquestionably, a great product has been delivered. The Oval is a tremendous asset for the Richmond community.

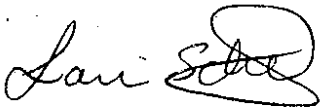
While we have successfully delivered on the vision of the Oval and a world class Olympic venue, we have been remiss in communicating to the community all sides of our Olympic story as it unfolded. As a result there remains much negativity when there is much to celebrate. The following key parts to Richmond's Olympic story have failed to properly emerge or be celebrated:

- The City entered into a contract that would have VANOC, through the Federal and Provincial Governments, contribute \$60 million to the capital cost of the Oval. Through various negotiations, the total amount of this contribution plus some funding attracted from other external sources such as RONA has now reached \$66.6 million.
- The City custom-designed a project management risk/cost containment plan that delivered an on time and on budget major public project in the most challenging construction market ever experienced in BC.
- While we were criticized for the level of staff's combined travel expenses over the five years at approximately \$465,000, the community received significant benefits of much

greater value estimated at approximately \$20M, or \$43 return for each dollar spent on travel..

- It is acknowledged that the City's costs which were budgeted for the original O Zone plan at \$10M, represents a significant expenditure for an ambitious plan. However, the plan was developed in the context of the City's overall 2010 Olympic Games related business and revenue targets that were set as part of the initial Oval bid and Games plans, which have already been exceeded by a minimum of \$132.5M.
- The City was offered \$175 million to accept a land deal offering similar terms and structure as Vancouver's Athletes Village. We rejected that offer in favour of accepting \$141 million in cash which has been earning the City interest the whole time that we would have been making payments if we had made the other choice.
- Richmond's bid for the Oval and our part in the Games was based not on the Olympics per say, but on what the Olympics could bring to our community. In addition to the benefits to our local economy, the community has ended up with a first class state of the art sport and wellness facility that responds to needs that this community has identified for over 20 years. Costs for the construction and operation of this facility are significantly offset from funds outside of the City's tax base, and the facility exceeds all expectations for a community facility.

The Olympic Games are recognized as one of the most valuable mega-events to exist, largely due to their uniqueness, protected brand and scarcity. Studies have shown the symbol of the Olympics - the five rings - is the most readily identifiable image in the world, and is recognized by over 90% of the world's population (higher than the logo of MacDonal'd's), and they will reside in Richmond in perpetuity. With today's emerging economy, the global nature of the Olympics plays provides an important advantage for us within the global environment in which we must compete. While incurring related travel expenses, the City has been able to capitalize significantly on the 2010 Winter Olympics for the benefit of the Richmond community. The work that has been done will help boost Richmond's local economy, community amenities and lifestyle, attract positive media attention, and attract residents, tourists and investors to our City in an increasingly global and competitive environment in which we live.



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