



Southeast False Creek Olympic Village Development Update

Media Technical Briefing

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September 30 2010

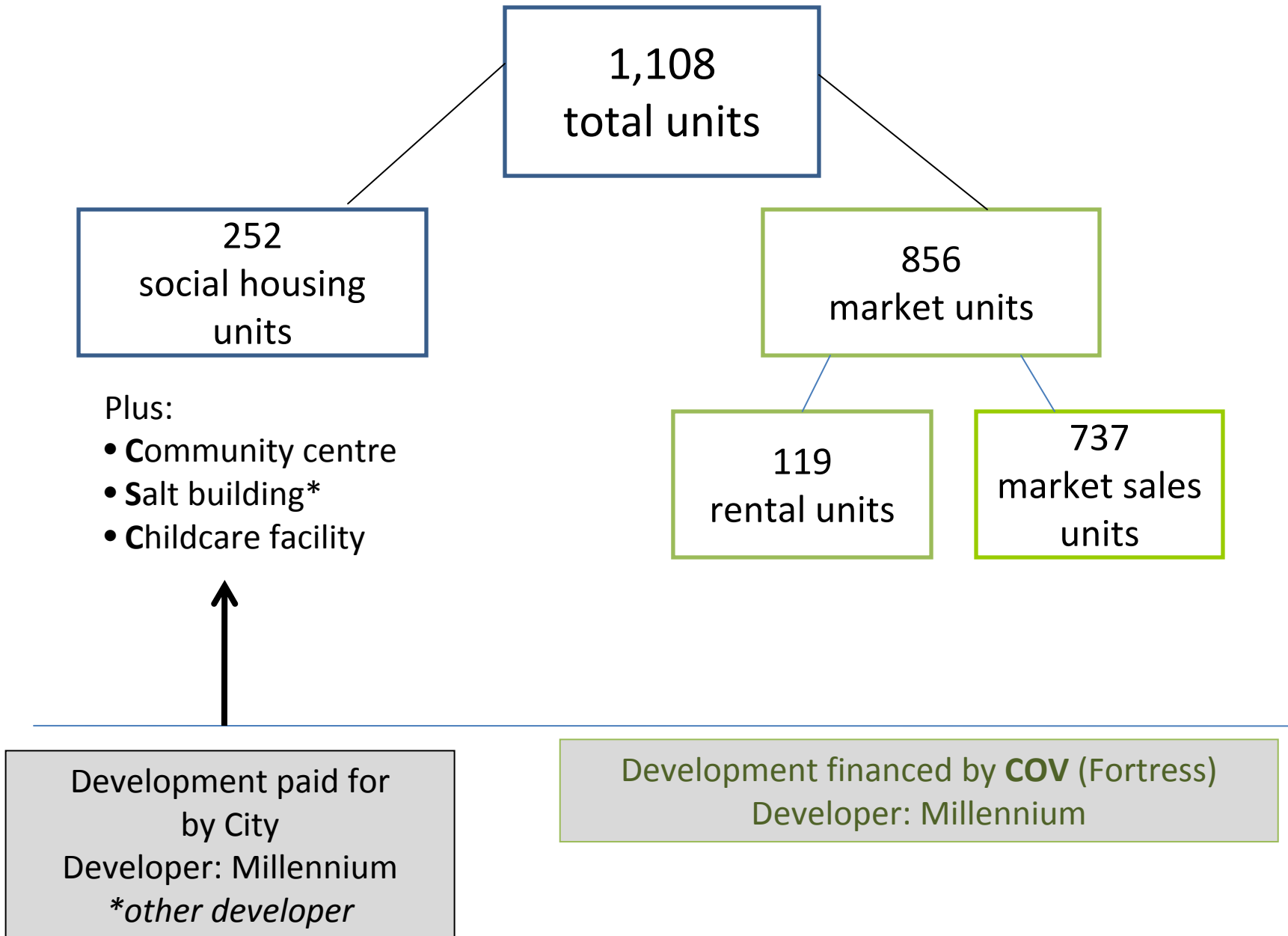
Overview of Presentation

- Brief recap of project
- Millennium Water update
- Affordable Housing update

Millennium Water



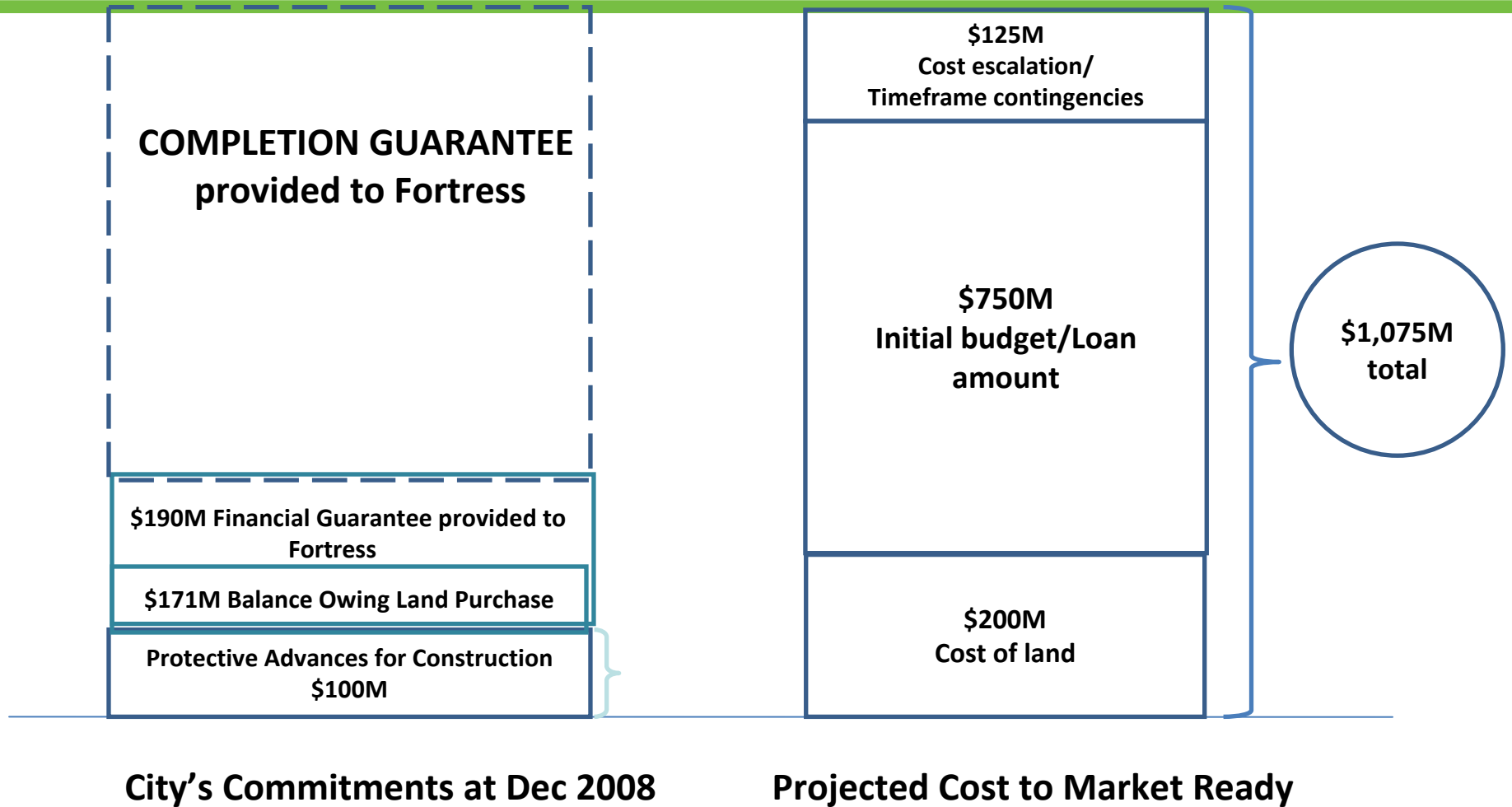
Millennium Water Development



SEFC: Key Milestones to January 2009

2002	2006	June – Sept. 2007	May - August 2008	Sept 2008	Oct. 14, 2008
<p>Multi-party agreement</p> <p>City commits to build Athletes' Village</p>	<p>Council reduces social housing in OV</p> <p>Developer agrees to purchase & develop land for \$200M</p> <p>City retains title to land until after Games</p>	<p>Developer arranges financing for \$750M with Fortress</p> <p>City Council approves:</p> <ul style="list-style-type: none"> • \$190M financial guarantee • completion guarantee 	<ul style="list-style-type: none"> • Developer's loan out of balance with Fortress • Cost overruns • Pre-sales on target 	<p>Fortress advises no further funding for project</p>	<p>City Council authorizes up to \$100M to pay three construction draws:</p> <ul style="list-style-type: none"> - Oct. 15/08 - Nov. 15/08 - Dec. 15/08

City Obligations for Millennium Water as of December 2008



Fortress Financing Options December 2008

"Standstill" Loan \$317M

- COV Guarantees:
 - Completion guarantee
 - \$190M
- Interest rate ~9.5% (or higher)
- If a decrease in COV credit rating below A/A2: loan default
- Requires market financing of balance of loan (\$400M)

Restructured \$665M Loan

- COV Guarantees:
 - Completion guarantee
 - \$590M
- Interest rate ~11.5% (or higher)
- Decrease in COV credit rating below A/A2: requires further cash deposits
- Still requires market financing of balance to complete project to market readiness (\$56M)

COV Charter Amendment

January 18, 2009

- Legislature amended *Vancouver Charter* to provide authority for the City to assist with the financing for the Olympic Village

Millennium Water – COV as Lender

Loan Amendment

Steps taken to reduce financing costs to City for SEFC project:

- February 2009 – City negotiated purchase of Fortress Loan
- City action as lender:
 - arranged financing through a syndicate of Canadian chartered banks;
 - issued a debenture;
 - commenced a commercial paper program
 - average cost of borrowing for COV ~2.5 – 3.0%
- Interest savings for City compared to Fortress loan \$90M – \$100M (to January 2011)

Amended Loan to Millennium September 2009

- **Interest rate:**
 - Reduced from existing and proposed Fortress rates
 - Further reduced during Games time
 - Other reductions available if early repayment of loan and land purchase price
- **Loan maturity:**
 - Extended by 2 years (subject to payback requirements) from Jan 2011 to December 31, 2012; option for further 6 months
- **Pay-down requirements:**
 - Laid out over term of loan
- **No prepayment or repayment fees**
- **Bonus for on-time delivery of Parcels for VANOC**
 - Individually, and as a total

Key Actions Taken to Deliver OV for Winter Games

- Steps taken by COV with agreement of developer to mitigate budget overruns and schedule risks:
 - Oversight by Tidball and Associates
 - Rigorous oversight of construction draws
 - Scope changes minimized
 - Design simplification
 - Delay of work until post Olympics
- Village delivered to VANOC for Games on time (November 2009) and under budget

Post Games - Millennium Water

- April 2010: site returned to Millennium by VANOC
 - construction retrofit post athletes' stay
- May 15, 2010: Marketing launch - Rennie Marketing Systems (contracted by developer)
- May - September 2010:
 - Closure of pre-sales
 - New sales
 - Millennium Water market rental program (119 units)

COV as the Lender: Key Responsibilities

Lender - COV

- Protect interests of City and taxpayer
- Protect value of asset

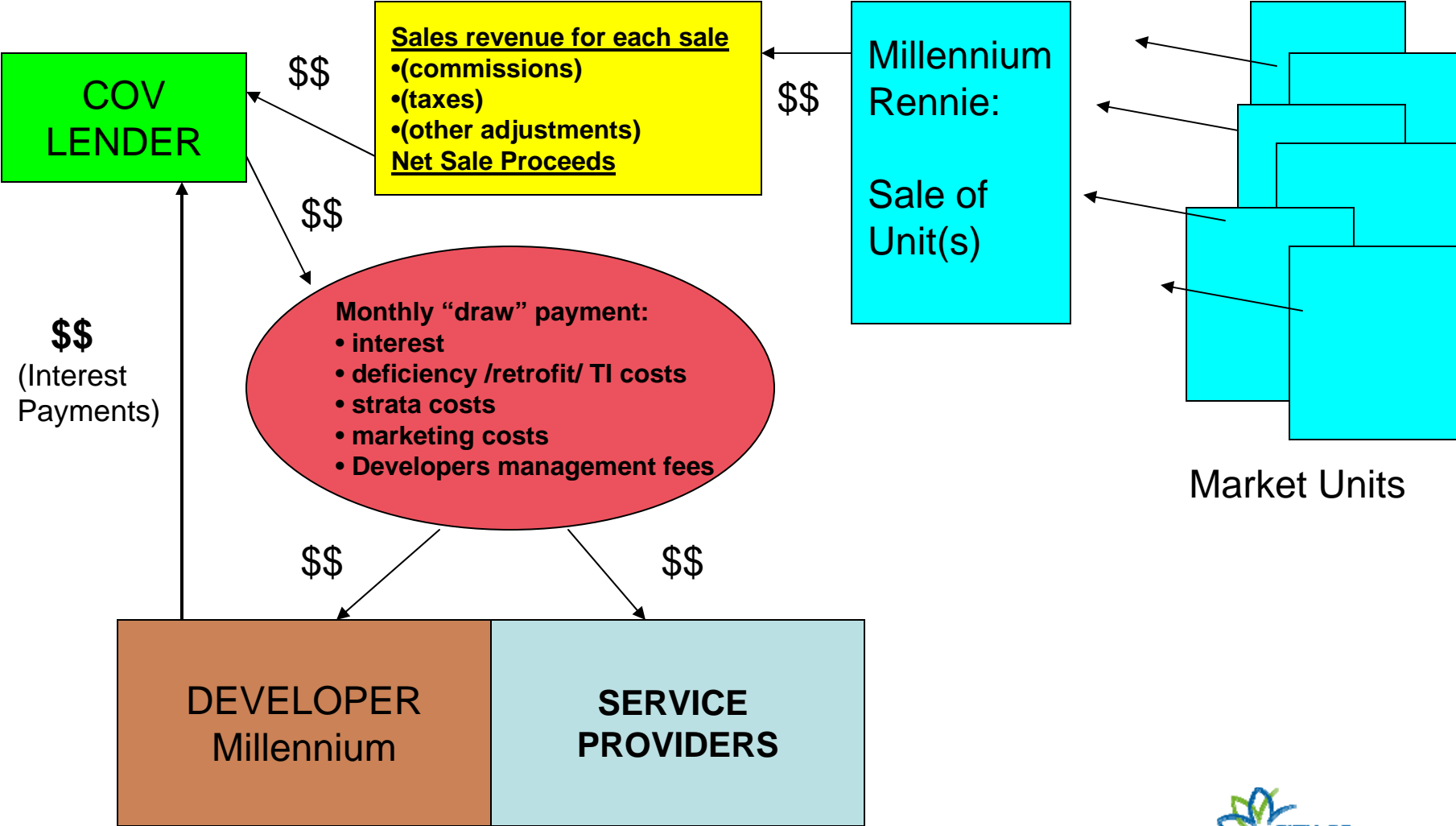
Borrower/Developer - Millennium

- Meet obligations under loan and land lease
- Protect value of asset
- “Good care and custody of asset”

Specific Roles and Responsibilities : Millennium Water

Responsibility	MW Development	Construction/Land Loans
Owner	Millennium	COV
Addressing deficiencies	Millennium	N/A
Responsible for Pricing	Millennium	Min. discharge price in loan
Closure of Pre-sales	Millennium	
Marketing Strategy	Millennium/RMS	
Development Carrying costs (strata fees, insurance, security etc)	Millennium	Financed under loan
Rental of MW rental units	Millennium	
Commercial Leases	Millennium	
Loan draws:		
- Submission	Millennium	
- Review/approval		COV

Paying Down the Loan - continuous process



Status of Millennium Water

- 259 units are closed (35% of total units)
 - Presales: 223 closed; developer pursuing outstanding ones
 - 36 new sales
- 60% of Millennium's 119 market rental units are rented
- Breakdown of 454 unsold Millennium Water condo units by May 15, 2010 price:
 - 48% of unsold units priced at < \$1M
 - 24% of unsold units priced at \$1M - \$2M
 - 28% of unsold units priced at > \$2M
- More than half remaining units are priced at >\$1M and absorption of these units takes time

Activities Millennium Water: May 15 - Sept 2010

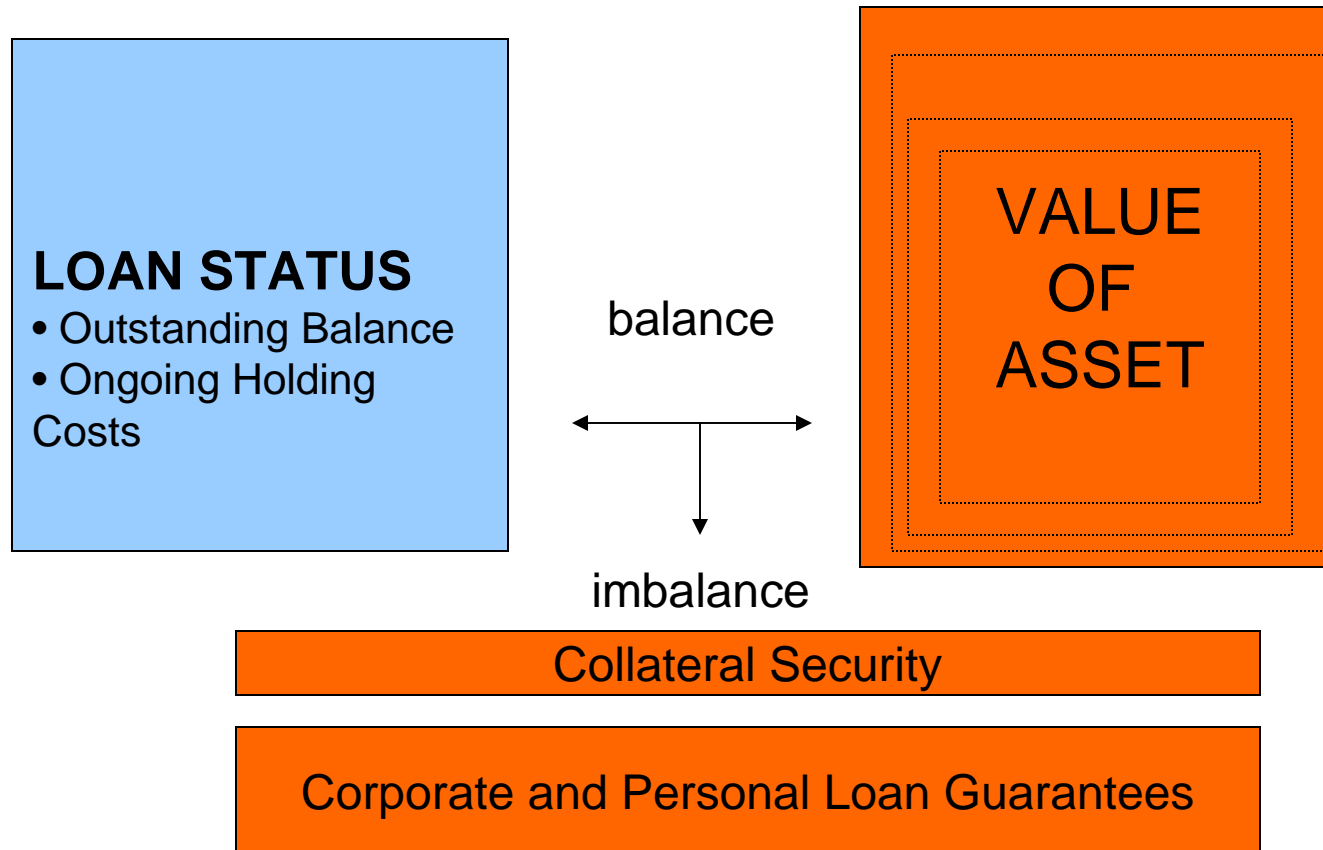
COV Loan Management:

- May 15 - August 31: Sales revenues flowed to City with each sales closure
- By August 31 - \$192M received of \$200M due
- By September 20 - \$197M received
- Extensive discussion with developer re - their ongoing marketing strategy and loan status:
 - Market realities - standing inventory, large high end units
 - HST impact and uncertainty
 - Short and long-term economic outlook
 - Range of options under review: (incentives, re-pricing, bulk sales, rental strategies, combinations)

General Loan Dynamics

- Multiple areas where default is possible in any loan- some minor, some more significant
- Depends on the legal structure of loan
- Examples of areas where defaults can occur in any loan:
 - Reporting requirements
 - Requirements to seek lender approval
 - Security provisions
 - Timing and amount of various payments
 - Construction schedule, etc
- For COV/Millennium loans several defaults exist - but significant concern was recent inability to fill the \$8M gap of August 31 payment (gap is now ~\$2M)

Loan Dynamics



Millennium Water - Construction and Land Loan Status January 2009 - September 2010

January 2009 - as per Technical Briefing by COV January 2009

• Projected Construction loan	\$875M
• Land loan	\$200M
	Total: \$1075M
• Deposit on Land (2006)	(\$29M)
	Projected Net Owing: <u>\$1046M</u>

September 2010

• COV Construction loan	\$756M
• Land loan	\$200M
	Total: \$956M
• Deposit on Land (2006)	(\$29M)
• Loan repayments (May-Sept/10)	(\$197M)
	Net Owing: <u>\$730M</u>

Protecting Taxpayers: Principles and Challenges

- Goals of Lender (COV):
 - Protect value of asset - no fire sales
 - Optimize financial return to City and taxpayers; minimize risk
 - Continued due diligence on all options
- Challenges:
 - Slower market for standing inventory, particularly high-end large units on the waterfront
 - High ongoing carrying costs for developer:
 - Millennium interest payments (as of 30/09/10) ~\$4.4M/ mo
 - Strata fees, Maintenance, security, etc: ~ \$400,000/mo
 - Uncertainty re: ability of borrower/developer to address imbalance in regards to loan, carrying costs and asset value

Protecting Taxpayers: Action

Lender (COV) actions to date:

1. Notified borrower and guarantors of failure to pay August 31 payment and that total construction loan now due and payable
2. Registration of security on assets already pledged to COV
3. Much more stringent oversight of loan draw: COV will only fund necessary costs to ensure asset protection
4. Ongoing discussions with borrower/developer re:
 1. actions to protect asset
 2. addressing of deficiencies
 3. anticipation of future loan requirements
 4. other related business transactions
5. Requests to borrower for:
 1. Refreshed plan for marketing and protecting long-term value of asset
 2. Plan to meet loan obligations

Next Steps: Millennium Water

- Review Developer/Borrower's plans for marketing strategy and loan obligations
- Continue to negotiate optimal outcome for taxpayers of Vancouver
- Continue to ensure protection of asset
- Prepare for any necessary next steps as appropriate

Affordable Housing

Post Olympic Activities:

- Retrofit of 252 units
- April 2010 – Council direction to staff:
 - Final additional equity contribution of \$32M (total COV equity \$64M)
 - Mixed-income tenancy: minimum 50% core need
 - Work with BC Housing to negotiate mortgage financing and to select not-for-profit housing agencies to operate the buildings
- May – September 2010 BC Housing RFP process with involvement of City staff
- RFP still in process

Key Facts re Affordable Housing OV

- Cost to build: \$110M
 - \$64M equity by COV
 - ~ \$46M planned mortgage supported by rental income
- Tenancy plan:
 - 51% core need; 11% low end market; 38% market
- Holding costs:
 - \$52,000/month holding costs for empty buildings (insurance, utilities, security, etc.)
 - \$95,000/month financing costs for \$46M at 2.5% interest

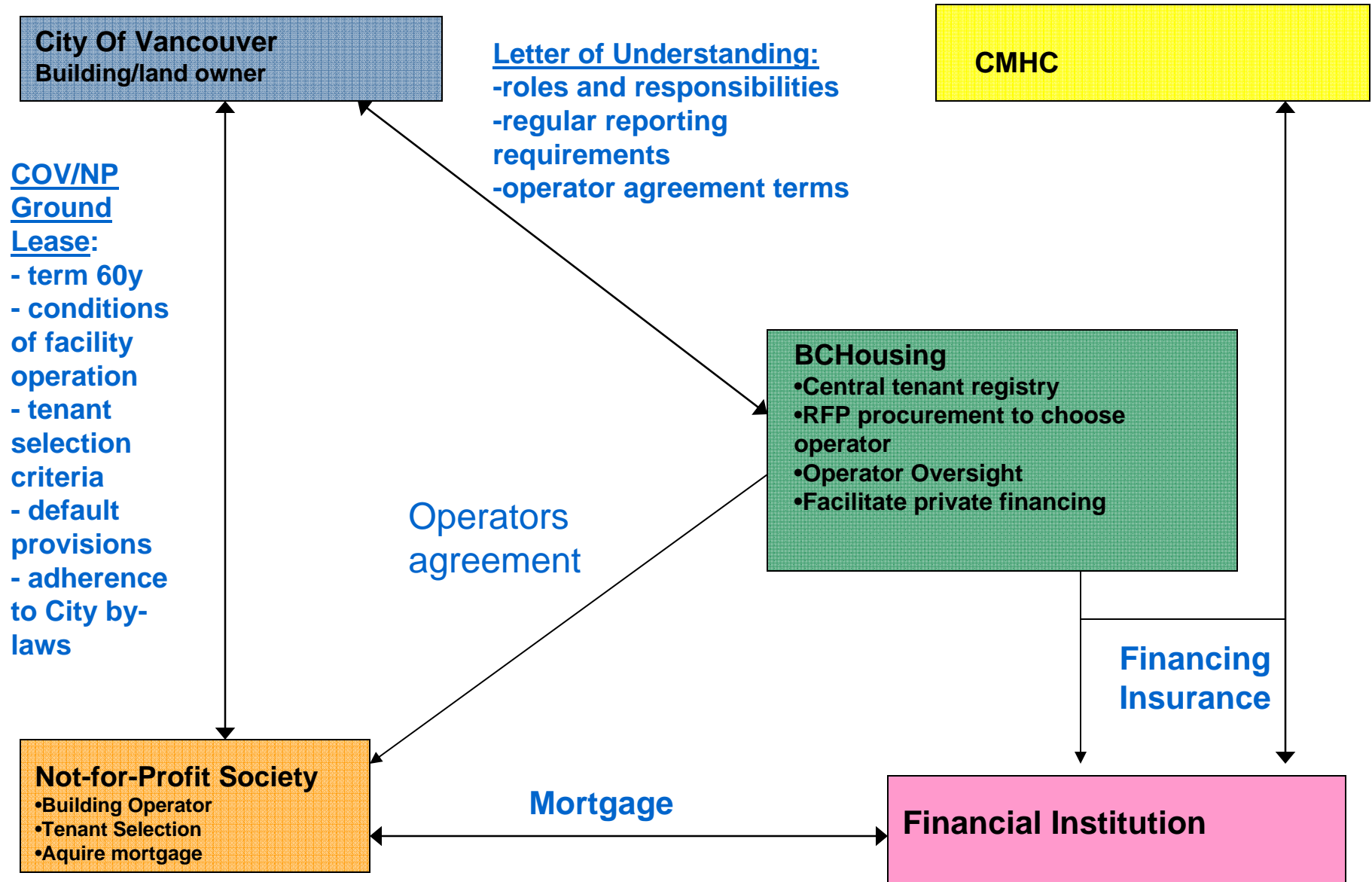
Affordable Housing OV



Unit Breakdown:

- 127 one bedroom
- 78 two bedroom
- 34 three bedroom
- 13 four bedroom
- Capacity:
 - minimum 437 people

Olympic Village Affordable Housing: Roles and Relationships



Key Facts re Affordable Housing RFP

- Key elements of Proposed Lease agreement:
 - Financial contingency - year 1: COV will fund up to \$800,000 by the City for operating budget shortfalls incurred up until Dec. 21, 2011
 - Financial contingency up to 5 years: COV will fund up to \$1,100/unit/year for operating budget shortfalls beyond operating surplus reserve (up to \$275,000 per year)
 - Capital reserve: \$60/unit/mo must be set aside by operator - to be reassessed by COV and BCH over time (\$180,000 per year)
 - Operating surplus: operator can accrue operating surplus to manage difficult years, pay down mortgage; at 10 years, review of operating surplus by BCH and COV
- Co-ops - below is title of BC Housing RFP for Olympic Village:
http://www.bchousing.org/resources/Call_documents/Misc/Olympic_Village/OLYMPIC%20VILLAGE%20RENTAL%20HOUSING%20-%20RFP.pdf
RFP #1080-1011/519
Request for Proposals To Societies and Housing Cooperatives For
The Management of City Owned Rental Housing Within the
Former Olympic Village Vancouver, British Columbia

COV as Operator of OV Housing

- **Current City lease experience:**
 - 160 sites (including the 14 sites) to over 90 non-profit housing operators
 - 68% (109) of these 160 sites involve BCH which provides operational oversight and subsidies
- **City as direct operator (over 30 years - COV Non-Market Housing Division)**
 - operates 854 units of social housing over 10 buildings (8 City owned/2 BCH owned) for low-income singles, people with disabilities, youth, seniors, and low income families

Affordable Housing Goals – Next Steps

- Fill units as quickly as possible
- Maintain Council's direction on tenancy mix
- Ensure no further equity required