



Vancouver takes control of Olympic village

FRANCES BULA

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After several weeks of tense negotiations that nearly led to an all-out legal battle, the troubled Olympic village has been put into receivership at the request of the city and the private developer.

That gives Vancouver control over how the village is marketed and sold from now on. As well, that the city reached an agreement with Millennium Development – an agreement that prohibits each side from suing the other over the village – indicates Millennium agreed to pay a significant amount of money to stave off a court-ordered receivership.

City officials would not say how much Millennium settled for.

City manager Penny Ballem and Mayor Gregor Robertson said the settlement was good news for the project and provided stability for the future.

“We can now accelerate the sales and marketing program,” the mayor said, while acknowledging that taxpayers may still end up being on the hook for some losses.

As for how the agreement was reached, Ms. Ballem would only say: “The fact that we both agree to this meant we didn’t have to apply for receivership and then sue them.”

The city, through receiver Ernst & Young, will take over managing everything that Millennium still owns in the project – 480 unsold condos, commercial space and about 100 rental units – as well as other assets that were promised as security.

Although receivership won’t bring the city any more money than leaving the project in Millennium’s hands would, it will allow the city to move ahead in a more orderly way.

The city and the receiver could sell all the condos en masse to another developer in Vancouver or overseas. Or it could hold on to them, and have the receiver sell some while others are rented out to try to get people living in what has become Vancouver’s most high-profile ghost town.

Lawyer Heather Ferris, a bankruptcy specialist with Lawson Lundell, said lenders ask for a

receiver to take over because they want control.

It is the end of a lengthy saga that began with high hopes in 2006, when Vancouver's city council, headed by then-mayor Sam Sullivan, triumphantly awarded the Olympic village project to Millennium. The small development company had offered an unprecedented price of \$193-million for the land on which the village would be built, beating out bigger builders such as the Walls and Concord Pacific, and promising to build a cutting-edge green development that would be a showcase for the world.

The project, however, got mired in problems in the next two years as construction costs soared and then, in mid-2008, the U.S. housing market and then the world economy collapsed. The city, which had imposed the unusual requirement that it retain the legal ownership of the land until the Olympic Games were over, ended up providing a guarantee for the developer's near-billion-dollar loan with a U.S. hedge fund.

Then, under a new council headed by Mr. Robertson, the city took over the loan completely in February, 2009. Since the Games ended, Millennium has not been able to sell many of its high-end condos beyond the 250-some it had sold before the Games.

The city issued a statement late on Wednesday in which the mayor praised Peter and Shahram Malek, whose company built the village. The brothers made equally gracious statements.

But behind the scenes, tough negotiations were going on in the past few days that many thought would end in a pitched legal battle.

The city was preparing to go to B.C. Supreme Court on Wednesday afternoon to get a court-ordered receivership imposed. But lawyer Bill Berardino, representing the Maleks, and the city's lawyers reached a settlement after meetings throughout the day.

The two sides have been in talks about handing over the village to the city ever since they deadlocked several weeks ago over the idea of a significant reduction in price for the unsold condos. The city had refused to allow it until the Maleks could prove they were willing to provide other assets to the city that would make up for any losses.

Millennium was unwilling to provide additional security. Instead, according to several sources close to the negotiations, the Maleks offered the city \$3-million plus title to the village to let it take over.

City negotiators, who have been getting advice from business and financial experts, countered that they wanted \$60-million, plus the village. The numbers got closer in the subsequent days, but were still too far apart for a deal to be reached.

One sticking point was tax calculations on the future losses at the village, which the Maleks could have written off against profits on other developments.

The city is still owed \$740-million from its loan.

Ernst & Young's senior vice-president, Larry Prentice, has been advising the city throughout negotiations, along with senior Vancouver business lawyers Mitch Gropper and Morley Koffman.

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