



**Capital Project Plan
BC Place Stadium Upgrades
December 27th, 2008**

1. Project Background

On May 16, 2008, Premier Gordon Campbell announced a major renovation of BC Place, including a retractable roof after 2010, which would expand the city's sport, culture and entertainment district; feature a new home for the Vancouver Whitecaps; and provide a waterfront site for a new Vancouver Art Gallery. These renovations were subject to design, completion of a business case, cost-benefit analysis and government approval.

In the summer of 2008, Cabinet approved capital funding for interior refurbishments, and directed the Ministry of Tourism, Culture and the Arts and BC Pavilion Corporation (PavCo) to return to Treasury Board in the fall with a detailed business case, including financing options, for the BC Place upgrades.

The contracts for the interior upgrades were tendered in the summer of 2008, work commenced in September 2008, and this \$65-million first phase of renovations was disclosed in the Province's First Quarterly Report for 2008/09.

Treasury Board approved the business case for the full project and financing plan on Nov. 27, 2008. Commencing in 2008/09 and continuing to the early part of 2011/12, PavCo will spend \$365 million on significant deferred maintenance projects, interior refurbishments and a retractable roof for BC Place. The majority of this project is self-financed by PavCo.

2. Project Objectives

The objectives of the project are to:

- Replace the existing air-supported roof, which is 25-years-old and at the end of its design life
- Undertake interior refurbishments and significant deferred maintenance projects to revitalize the stadium
- Upgrade building and systems for sustainability and green initiatives
- Generate new business and revenue sources, such as:

- hosting a minimum of 15 regular season games per year for the Vancouver Whitecaps
- attracting new soccer international exhibition games
- accommodating a potential summer amphitheatre concert schedule with configuration for touring shows
- increased banquet events from the expanded convention capacity in the city
- City wide convention opening and closing sessions
- naming rights
- new sponsorship opportunities
- higher food and beverage incomes from improved concessions
- land development opportunities
- reduced operating costs

3. **Project Status**

Preparations for the project have included:

- Consultations with the BC Place Roof Replacement Advisory Team comprised of Geiger Engineers, Schlaich Bergerman, and Genivar Engineers – this team has experience in designing similar structures, including the Commerzbank Arena in Frankfurt, Germany.
- Engagement of Burgess, Cawley, Sullivan & Associates, accredited real estate appraisers, to develop estimates of the potential revenues that might be realized from the development of the BC Place lands.
- Preparation of a full business case for Treasury Board, including estimates of all costs and revenues associated with this project.
- Tendering of contracts and commencement of deferred maintenance and interior refurbishment activities in the summer of 2008.
- The City of Vancouver approved the Official development Plan (ODP) for a Gross Buildable Area of 1,400,000 square feet in late October 2008.

4. **Costs and Benefits**

Project Costs

The estimated capital cost of the project is \$365 million.

Project Benefits

The project will benefit the Province by:

- Establishing a world-class sports and entertainment facility in downtown Vancouver.
- Generating new business and revenue opportunities for PavCo, as well as spin-off revenues for the City and Province.

- Creating operational efficiencies which will save the Province a minimum of \$250,000 annually.
- A side-benefit of these enhancements to BC Place is that the City will now have a fully functional emergency shelter.
- BC Place renovations are the catalyst for a revitalized North East False Creek and the upgrade will integrate the building into the fabric of the city and region.
- Creation of economic benefit to the Province through the construction process and long-term operation of the revitalized facility.

5. Project Risks

The major risks associated with the BC Place Upgrades generally relate to construction risk, property development risks (which are the main source of funds for this initiative) and risks to the operating costs and revenues.

Construction Risk: While prices for construction materials and equipment have escalated rapidly over the past several years, the current economic environment and rapid decline in key commodity prices suggests that costs are beginning to soften. Steel price indices are trending downwards. The labour market index for the Lower Mainland is projected to flatten, particularly as 2010 construction activity winds down and credit markets tighten up for new projects. As the roof replacement will not occur until after the 2010 Games, the project is poised to take advantage of these trends.

With or without declining input costs, the principal measures to mitigate construction risks include involvement of the design team which has experience with similar structures, substantial completion of detailed design phase prior to tendering, competitive tendering, selecting highly qualified contractors and suppliers, fixed price contracts, bonding and other forms of performance guarantees, and diligent on-going monitoring of progress and costs. PavCo is committed to these measures both in its own activities and those of the contractors it retains to oversee the project.

Property Development Revenue Risk: The property development risks are conventional risks faced on any real estate project. The principal risk is the timing of demand for the project elements – how quickly will the commercial/residential/retail/office space be absorbed and at what price.

The development revenues are predicated on the draft Official Development Plan (ODP), which was approved by the City in late October 2008, for a Gross Buildable Area of 1,400,000 square feet. PavCo will next seek expressions of interest from developers for the buildable areas, and the final proposal will be taken to Council for approval.

The current economic downturn will have an impact in the short term on property prices, but the BC Place lands are prime, downtown lands and international and domestic economies are anticipated to be in recovery mode well before the land development is underway in 2011 – 2015.

Operating Cost Risk: On a per event basis, there is little risk that the operating costs under a retractable roof will exceed the current operating costs under the air-supported roof. Operating costs will be materially lower under a retractable roof due principally to the lower energy requirements of a non-air-supported roof structure, the elimination of maintenance on the redundant mechanical systems required for an air-supported roof and the reduced monitoring effort required. The roof retraction system is a tried and tested mechanical system that has a history of good performance and does not require unconventional maintenance.

Operating Revenue Risk: A variety of factors may impact operating revenues. Corporations may not be attracted to the naming right opportunity, improved sponsorship plan and significant new business may not materialize. PavCo's market research and experience in like venues indicates these risks are not material for a refurbished facility with a retractable roof.

The largest risk to operating revenues is a prolonged economic downturn, which may impact trade and consumer shows, and attendance at BC Lions' and Whitecaps' games. However, it is anticipated that international and domestic economies may be in recovery mode before the roof replacement is completed.