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B.C. energy bills set to jump 30% by 2014

BC Hydro is proposing a 10% electricity rate hike in each of the next three years to fund what it says is the largest expansion of electrical infrastructure in B.C.'s history.

The first hike, which will add roughly \$7 to the average residential electricity bill, is expected to be instituted in April, pending further a BC Hydro review and BC Utilities Commission approval.

The average residential bill now is \$71.

Among Hydro's largest projects is a new \$600 million, 255-kilometre transmission line between the Nicola substation near Merritt and the Meridian substation in Coquitlam.

Friday, December 2

CFIB blasts municipal government spending

The Canadian Federation of Independent Business (CFIB) says municipal government spending in B.C. is outpacing population growth and inflation two to one.

In its third annual *B.C. Municipal Spending Watch* report, which was released Thursday morning, the CFIB found municipal operating spending across B.C. grew 58% between 2000 and 2008.

Thursday, December 2

Study finds morale low at Vancouver city hall

Although city hall employees are slightly less stressed than other employees, City of Vancouver employee satisfaction is below the norm in both the public and private sector.

Just under half of city staff members (43%) that answered the survey said they had an unfavourable view of leadership at city hall.

Wednesday, December 1

Athletes' Village marketing makeover urged

Vancouver faced with racking up more 2010 Olympic losses unless changes are made in sales approach, real estate industry observers say

By Glen Korstrom

Real estate industry insiders say the City of Vancouver is making a huge mistake by marketing former Olympic Village condo units the same way as troubled developer Millennium Development Corp. did.

The city assumed ownership of the development after Millennium defaulted on multiple loan payments and the project went into receivership on November 17.

Staying the course on the marketing strategy, they say, will hurt taxpayers because it will keep the city from realizing maximum financial return from the development.

Few advocate renting the market condos to generate short-term revenue and populate the neighbourhood.

But many others have ideas for changes, aside from price reductions, that could help the city sell the 474 unsold properties and repay a larger portion of the project's roughly \$740 million in outstanding debts.

One suggested shake-up is for the city to encourage receiver Ernst and Young to replace marketer Rennie Marketing Systems with one or more other local successful marketers such as MAC Marketing Solutions or Magnum Projects Ltd.

Real estate consultant Michael Geller said that whoever is in charge of marketing should use creative solutions such as a hybrid between renting and owning the units.

"In Canada we tend to think of two forms of tenure: you either lease or you own. In the U.S. and the U.K. there are other forms of tenure," Geller told *Business in Vancouver*.



Real estate consultant Michael Geller: the city should change its marketing strategy and not simply rely on price cuts to sell the 474 unsold properties at the former Olympic Village

"The city could explore a rent-to-own arrangement where somebody might put down a small down payment and then their rental payments would go toward ownership."

Geller said another option would be for the city to sell a \$700,000 unit for \$600,000 and have the contract structured so the city would get the remaining \$100,000 at some point in the future when the initial buyer resells the unit.

"[Rennie] mismanaged the sale of those units," said longtime city watcher George Puil, who was a city councillor for 26 years and a park commissioner for 12 years.

"Bad publicity hasn't helped. But, certainly they could have made them competitive with other units in the immediate vicinity, which are selling."

Eleven unhappy buyers filed writs in B.C. Supreme Court in June to rescind their purchase agreements, claiming that washers and dryers

were not installed in their units and that their \$5,000 electric fireplaces weren't working properly.

But Don Vassos, CB Richard Ellis senior executive vice-president for B.C., chalks those complaints up to buyer's remorse and "posturing" from people who wanted to get out of their contracts because the price of real estate had dipped.

"If I were to buy a condo in downtown Vancouver, that would be my first choice," Vassos said of the Olympic Village units. "It's an opportunity that will probably not appear again for investors and for owners for decades."

Prices are already far below the original cost.

Vladimir Bondarenko told BIV that he bought his two-bedroom unit for \$920,000 in mid-2007. He put the unit on sale two months ago for \$900,000 and then lowered the price to \$790,000 on November 30 – the day after councillor Geoff

Meggs hinted to media that he "wouldn't be shocked" if there was a 20% price reduction early in 2011.

A 20% discount on Bondarenko's initial investment would knock his sale price down to \$736,000.

As of November 30, neither Ernst and Young nor the city had approached MAC

"I would have broken this project down into marketable bite-sized pieces"

– Cameron McNeil, owner, MAC Marketing Solutions

Marketing Solutions owner Cameron McNeil to see how he would change what he considers Rennie's "disaster" of a marketing strategy.

McNeil's team sold approximately \$1 billion worth

of real estate in 2007. That dropped to \$400 million in the sluggish 2009 market.

"There's been a lack of urgency, not a lack of desire for the [Olympic Village] project," McNeil said.

"I would have broken this project down into marketable bite-sized pieces and released one building at a time and described why the building was special: 'This is a value building' or 'This is a waterfront building.' That would have made buyers realize that units that have specific desired attributes are in short supply."

McNeil added that Rennie's post-Olympics sales relaunch in May was a "fiasco," because units on sale ranged from \$550 to \$1,550 per square foot and incorporated too broad a spectrum of unique selling points for potential buyers to narrow their decision to a specific unit and imagine living in it (see Peter Mitham's Real Estate Round-up, page 12). ■

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It's hard not to be optimistic about 2011

Capital West is proud to have assisted our clients in successfully executing the following transactions in 2010.

<p>Sale to Harbour Air Seaplanes</p>	<p>Capital Raised from Maxam Opportunity Fund LP</p> <p>US \$8,500,000</p>	<p>Capital Raised from Tandem Expansion Fund</p> <p>\$17,000,000</p>	<p>Sale to Kinderhook Industries LLC</p> <p>US \$37,000,000</p>	<p>Sale to Rogers Communication Inc.</p>	<p>Sale to Yardi Systems Inc.</p>	<p>Sale to Dollar Tree</p> <p>\$62,000,000</p>	<p>Sale to Fort Chicago Power</p> <p>\$314,000,000</p>
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Many thanks to our clients, colleagues and supporters. Happy holidays and best wishes for a successful and prosperous New Year.

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