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Crises of Capitalism and Deficits of Democracy: Lessons from Vancouver's Olympic Village Development

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Abstract

Mega-events like the Olympic Games remain widely recognized as key opportunities for cities to accelerate large-scale urban development projects through the construction of extensive Olympic Villages complexes. However, in the current global financial climate, these debt-financed urban renewal strategies are fraught with risk for both public and private partners. In the first part of this paper, I explore how the city of Vancouver, British Columbia, inherited the entire responsibility for the construction of the 2010 Winter Olympic Village following the 2008 global economic crisis and a number of undisclosed local political commitments. In what follows, I raise some political questions about the democratic limitations of the entrepreneurial urban policy-making context and the disproportionate transfer of financial risk associated with these developments to the public sector. Finally, I draw parallels between the experiences of Vancouver and the recent government bailout of the Olympic Village development in East London.

Keywords: crises of capitalism, large-scale urban development, Olympic Villages

Introduction: Towards 2016

As we approach the 2014 Winter Olympics in Sochi, Russia, and the 2016 Summer Olympics in Rio de Janeiro, Brazil, it may be useful to reflect back on the set of political-economic developments that have, on the one hand, transformed the mega-event into a global media spectacle and, on the other, spurred a new phase of competition between urban centres to host the Olympic Games. Readers familiar with Olympic history will be aware that, just over 30 years ago, few cities were actually interested in hosting the Olympic Games. Following the 1976 Olympics in Montreal – an event that is still regularly held up as evidence of the significant burden that staging the Games can place on host cities – Los Angeles was the only serious bidder for the 1984 Olympiad.

However, the Los Angeles Games have now been recognized as a crucial turning point for the Olympic Movement, and local organizers have been widely credited for accumulating unprecedented increases in television revenue and sponsorship from the world's largest corporations. Importantly, the sheer influx of capital limited the amount of public investment in the Games, while Los Angeles built no significant infrastructure; the Olympic Stadium used in 1984 was the same venue for the 1932 Games, while athletes were housed in university dorms (Munoz, 2006). A consequence of the much-heralded success of the Los Angeles Olympics, then, was the acceleration of the incorporation of the Olympics into a global promotional culture – developments that “transformed the economic calculus associated with hosting the Games, making being a host city once again an attractive – indeed, much sought-after – proposition” (Whitson, 2005: 29).

The Olympics and the revalorization of urban space

It is scarcely original to note that, against this backdrop, the Olympic Games have become prestigious circuits of promotion (Wernick, 1991) that are central to the re-imaging and urban regeneration strategies of cities aspiring to “reinforce the competitive position of their metropolitan economies in a context of rapidly changing local, national, and global competitive conditions” (Swyngedouw, Moulaert and Rodriguez, 2002: 548). Indeed, for several years now, urban studies scholars have drawn our attention to the impact of new technologies and a host of deregulatory policies that have removed restrictions and barriers that once placed limits on the movement of trade, investment, and people (with some important qualifications) across borders. These developments have, together, contributed to the movement of industries and jobs to areas with cheaper labour and fewer restrictions on the prerogatives of capital. The geographer David Harvey (1989) has argued that such broad changes have been, in turn, accompanied by a concomitant shift in the characteristics of urban governance from managerialism to entrepreneurialism, as cities compete for mobile forms of investment (private, as well as public), affluent consumers (whether citizens or tourists), and sought after new businesses; especially the types of businesses in which the well-paying white-collar professional jobs associated with the knowledge economy are concentrated.

Likewise, it has also been widely understood that, in these urban competitions, a reputation as a centre of ‘world class’ culture and entertainment is believed to be important (Evans, 2005; Garcia, 2004), while:

modern civic infrastructure (notably transportation links, telecommunications capacity and a good education system) is a necessary condition for success...it is widely believed that the right sort of “civic image” – as a centre of entertainment and culture – also helps to attract “people and capital of the right sort” (Whitson, 2004: 1217).

Thus, as a result of the globalization of both economic activity and culture, and buttressed by more predictable budget figures in the new Olympic revenue environment, a wide range of cities from all continents, including incumbent ‘global cities’ like London and New York, have aggressively pursued the hosting rights to Summer and/or Winter Olympic Games to reinforce their claims as ‘world class’ destinations in the changing transnational economic and cultural hierarchy of cities (Shoval, 2002).

It was the 1992 Summer Olympics that set the stage for the use of the Games to accelerate large-scale urban development projects and revalorize former industrial or under-developed waterfront land through the construction of extensive Olympic Villages (Munoz, 2006). It must be noted that former International Olympic Committee (IOC) Juan Antonio Samaranch, incidentally, had large real estate interests in Barcelona and was well-positioned to benefit from the revalorization of the Catalan city’s waterfront property market (Harvey, 2012). Nevertheless, over the course of the last 20 years, these developments have emerged as ‘common sense’ urban renewal strategies that are envisioned by civic elites and their private partners as lucrative post-Olympic anchors of new, sustainable lifestyle communities (especially where waterfront land is available). These facilities are now widely recognized as integral components of what Dennis Judd (2003) has referred to as the standard “infrastructure of play” that is habitually produced for a mobile class of knowledge-industry workers and affluent urban residents who want access to, and can afford, luxury condominiums, shopping complexes, and sport and entertainment facilities.

To be more specific about the broader political-economic processes associated with the revalorization of urban space in light of this new set of urban conditions, here I am basing my observations on the seminal work of the urban sociologist Sharon Zukin and her classic text *Loft Living: Culture and Capital in Urban Change* ([1982] 1989). For Zukin, the supply of new, trendy lofts in Soho, New York – or new, upscale ‘condos’ in Vancouver – did not simply create demand for loft living and its associated lifestyle; instead, demand was a conjunctural response to other social and cultural changes. Moreover, the market for gentrified loft living was also shaped by the needs of investment capital:

These needs influence the trends of capital flight or capital disinvestment, when money flows from one region or sector to another because the changes of profit are greater there. The process occurs in several steps. As profits decline on investment in a region, land and building values fall. Liquid assets are pulled out and invested elsewhere. This pull-out of actual and potential investment capital creates a shaky feeling about the future of the area and a gradually dilapidated or outmoded infrastructure. This in turn cause values and in the “declining” region to fall further and, correspondingly, values and prices in a new region begin to “boom”. Thus after capital flight, property in an old region or neighbourhood is “devalORIZED”. Its market value is depressed in relation both to its past or future uses and to comparable property elsewhere. So an investor could buy it cheaply. The immediate returns would not be astronomical. But capital that is invested in the “built environment” never completely dissipates. Certain substantial buildings remain for years in the urban infrastructure. Transportation and communication lines can be regenerated or remodeled. Central city land that lies close to financial centers retains some perennial value. When the investment climate changes, this property is

available for redevelopment. As building stock it can be rehabilitated. Its use can be changed. The capital that it represents can be revalorized as market values around it rise again. In many cases, the low price of devalorized property attracts investors who can not afford, or can no longer afford, to put their money in other regions or activities. At that point, investment capital returns, in new forms, to the old area (Zukin, [1982] 1989: 15).

However, these processes (and, of course, capitalism in general) are always prone to crises and can never be automatically guaranteed. Indeed, as we will see below, the revalorization of urban space through ambitious urban renewal developments – whether the conversion of old industrial building for new lofts or more recent Olympic Village ‘condo’ complexes – are risky propositions for both public and private partners, precisely because their financial ‘success’ is not only contingent on the vitality of the local property market and demand for upscale housing, but also on broader national and international economic conditions (Swyngedouw, Moulaert and Rodriguez, 2002).

Furthermore, because large-scale redevelopments are inevitably debt-financed, they can become the epicentre for crisis formation in unfavourable global economic conditions. These are crises that can be compounded by commitments to guarantee the completion of Olympic Villages under strict deadlines. In an increasingly deregulated global financial market, these pressures have, at times, necessitated the enactment of legislation and exceptional institutional arrangements to fast-track Olympic-related developments and to accommodate the demands of creditors for financing protection. However, these arrangements, which are now commonly negotiated between public officials and business leaders *in camera*, can transfer a disproportionate share of the financial risk associated with Olympic Village developments to the public sector, potentially subverting democratic principles of transparency and community participation in urban planning (Lenskyj, 2008; Owen, 2002).

In the remainder of this paper, I want to reflect on the controversial construction of the Olympic Village development for the 2010 Winter Olympic Games in Vancouver, British Columbia (BC), Canada. In the first section, I contextualize Vancouver’s entrepreneurial ambitions, which served as the backdrop to the decision to construct an Olympic Village (in partnership with a local developer) as part of a large-scale urban development project to revalorize under-utilized urban land. Next, I outline the set of undisclosed political commitments that, coupled with the onset of a significant global recession and credit crunch in 2008, resulted in Vancouver inheriting the entire responsibility for the development. I also outline how the revelation of these commitments became the decisive issue of the 2008 municipal election, and irrevocably damaged the political ambitions of the mayoral nominee for the incumbent right-of-centre Non Partisan Association (NPA) civic party. Finally, I raise some political questions about the levels of risk and opportunity costs for the public sector that now accompany these debt-financed up-market urban development projects, especially in increasingly divided cities with growing levels of inequality and material disadvantage. In so doing, I draw parallels and highlight disjunctures between the experiences of Vancouver and the recent government bailout of the £1 billion Olympic Village in East London.

Spirit of the West

The background to Vancouver's Olympic Village can be traced to the 1990s, when municipal officials first initiated a discussion around creating a new, sustainable residential community on the Southeast Shore of False Creek, a former industrial area situated on prime harbour-front land. The Southeast False Creek policy statement supporting this vision was approved in 1999, just as the Vancouver–Whistler 2010 Bid Corporation – subsequently VANOC – began to promote its intention to bring the Olympics to Vancouver. In November 2002, the city council (then governed by Vision Vancouver, a left-of-centre civic party) and the Vancouver–Whistler 2010 Bid Corporation entered into an agreement that committed Vancouver exclusively to fund and construct the Olympic Village at the Southeast False Creek location.

This was not the earliest attempt to revalorize harbour-front land on False Creek. In 1986, Vancouver hosted the World's Fair to celebrate the city's centennial. Civic leaders and the BC Government hoped that Expo '86 would draw unprecedented global attention to Vancouver, allowing the city to shed its reputation as a 'sleepy' colonial outpost on the Canadian periphery that was economically tied to the BC lumber industry. Besides marking a conspicuous attempt to re-image the city as Canada's gateway to the Pacific Rim (Olds, 2001), Expo '86 also provided a well-timed opportunity to prepare under-utilized waterfront land on the North Shore of False Creek – once a Canadian Pacific Railway rail yard, and then a post-industrial wasteland – for development. The land was eventually sold to Concord Pacific, the primary shareholder of which is Li Ka-shing, who, as one of Hong Kong's wealthiest property tycoons, profited handsomely from the surge of international property speculation and the local property boom that took place during the 1990s. Indeed, for many observers, the sale of the land was a profound expression of the globalization of Vancouver's economy and the incursion of Asian capital into local commercial and residential property markets (ibid.). However, beyond appealing to international investors, the development of the North Shore of False Creek was also envisioned to provide Vancouver's professional and business elite who work in the downtown corporate complex with the types of up-market leisure, shopping, and entertainment amenities that they have come to expect in any city that aspires to world-class status.

The construction of the 2010 Olympic Village on the Southeast Shore of False Creek needs to be understood as a continuation of these historical urban restructuring processes, as Vancouver continues to announce its claim as a prosperous, safe, multicultural, business-friendly Pacific Rim centre with waterfront housing and leisure opportunities that are on a par with those on offer in the world's other leading cities. For civic elites, this development would ideally receive favourable television coverage over the course of the Olympic Games, while capturing the attention and interest of tourists and outside investors in addition to upper-income residents in search of high density urban living units.

In 2006, municipal officials selected the Canadian company Millennium Developments (Millennium) to construct the Olympic Village after the developer offered to purchase the land for CAD\$193 million and design, finance, and construct over 800 units of market housing and 252 units of social housing. Millennium subsequently entered into an agreement with Vancouver to lease the False Creek land until the expiration of the 'Olympic exclusive-use period', at which point the developer was entitled to purchase the property. It is important to emphasize that

municipal officials entered into a lease agreement with Millennium to maintain the land title before and during the ‘Olympic exclusive-use period’ to ensure that Vancouver could fulfill its commitment to VANOC to have the Olympic Village in place by 1 November 2009. In other words, by leasing the land, Vancouver could still finish the Olympic Village development in the event that Millennium was unable to – a unique institutional arrangement that, in other land acquisitions, would have been unnecessary.

Importantly, the land price set a national record and provided a signal of the revenues that were initially projected by the developer to justify the high cost of the land – a purchase that occurred near the historical peak of real estate prices in Vancouver. What was also evident was the extent to which municipal officials adopted an entrepreneurial approach. This was a project that was anticipated to be a lucrative financial opportunity for the public sector: from the sale of public land, an expanded tax base from the new development, and the envisaged promotional value of a state-of-the-art, sustainable neighbourhood in the global economy. It can be further proposed that these types of strategy are emblematic of an ongoing shift away from traditional statutory planning approaches to more project-focused and market-centred interventions. Indeed, these are interventions that are intended to revalorize under-utilized urban areas in relation to urban planning objectives that are not solely – if at all – aimed at satisfying the housing or cultural needs of ‘ordinary’ residents (Garcia, 2004). Related to this latter point, the significant price of the deal with Millennium also sparked concerns about the ability of middle-class Vancouverites to purchase condominium units in an over-heating real estate market.

Millennium was, in many respects, an unlikely choice to build a billion-dollar development with over 1,000 units. The Canadian developer lacked the levels of experience and capitalization of more established developers, including the other two short-listed companies, Concord Pacific (the Li Ka-shing company that had developed the Expo site) and Wall Financial – both developers that played major roles in transforming the urban environment and social profile of Vancouver as a Pacific Rim gateway in the 1990s. However, Millennium’s purchase offer for the land was CAD\$20 million in excess of its closest competitor. The developer also agreed to all of Vancouver’s conditions for the False Creek development: the inclusion of non-market housing, and the extensive use of emergent green building technologies to signal a ‘trendy’ and progressive urban identity. It is worth emphasizing here that the incorporation of these expensive sustainable features was driven neither by the ambitions of local developers nor the requirements of the IOC for suitable athlete housing, but by the ambition of civic elites to distinguish False Creek as the world’s most sustainable waterfront community.

Risky business

It was apparent that both the developer and local officials had anticipated a perpetually rising local property market to justify the price of the land deal and the size of the speculative development. However, despite the optimism that surrounded the announcement and initial promotion of the project, several issues rapidly emerged to signal a new level of risk. First, construction began at the peak of prices for labour and building materials, resulting in significant increases in the original cost estimates for the Olympic Village. In fact, by September 2008, just over a year from the completion deadline, Millennium was CAD\$150 million over budget. To

make matters worse, pre-sales of the condominium units were tepid. At the same time, the onset of a significant recession, spurred by US sub-prime mortgage defaults, reverberated throughout the continental construction industry and eventually the entire global economy. In light of concerns over growing cost over-runs and the financial viability of the costly project in a suddenly declining local real estate market, Millennium's finance agency, the New York-based hedge fund Fortress Investment Group (Fortress), advised the developer that it was breaking their CAD\$750 million loan agreement, thereby placing the Olympic Village development in jeopardy.

Related to this latter point – the power of a New York-based hedge fund over significant developments and properties in BC – I want to emphasize just how interconnected the fate of the Olympic Village was with the US housing and banking crisis. As is well known, this crisis spurred a significant panic in the loan market, contributing to the collapse of several well-established investment banks. Meanwhile, other financial institutions suffered tremendous financial losses and faced bankruptcy, only to be saved by a public bailout involving billions of dollars. However, as David Harvey (2010) has argued, sub-prime loans were not necessarily the root causes of the financial crisis. Over the course of the last 30 years, an integrated global infrastructure of financial markets has emerged against the backdrop of economic deregulation, as technical and logistical barriers to global capital flow have been all but eliminated. One consequence of these developments has been the emergence of new markets, pioneered within an unregulated 'shadow banking' system that permitted investment credit swaps and currency derivatives, while investors increasingly invested in derivatives of asset values and, as Harvey (ibid.: 21) notes, "even in derivatives of insurance contracts on derivatives of asset values". It was within this context – the financialization of capitalism – that new users such as hedge funds flourished, generating enormous profits for investors.

As these new financial markets have grown, investment in production has declined and capital has gained access to a global supply of cheaper and more docile labour (for example, the ex-Soviet bloc and now China). These developments have resulted in persistent wage repression around the world, including in the US (and also Canada; see Laxer, 2009), where a growing gap between wages and household spending has been covered by the expansion of credit and unprecedented levels of indebtedness (Reich, 2010). Rising household debt has, in turn, spurred the need for new financial institutions to support indebted families and individuals whose earnings were not increasing – beginning with those with steady employment and eventually extending to less affluent individuals (Harvey, 2010). Financial institutions, including Fannie Mae and Freddie Mac, subsequently began to provide sub-prime mortgages that allowed individuals who did not qualify for conventional financing to purchase housing that was being built by developers who, like Millennium, were also debt-financed by various hedge funds and financial institutions. Thousands of sub-prime mortgages were then securitized and sold to investors around the world (to other banks, pension funds, municipal governments) and insured by companies like AIG, spreading the illusion that the level of risk associated with the new financial products – which were essentially 'packages' of high risk mortgage debt – was minimal. Moreover, while the new private financiers of global capitalism (including major hedge funds like JPMorgan Chase and, to a lesser degree, emergent users like Fortress) wielded significant influence over housing supply and demand in the US, they also financed a number of urban development projects around the world. When the US housing bubble burst and several

financial institutions collapsed, the global credit and financial system that had bankrolled these projects imploded as well.

These broader economic developments, and Fortress's decision to discontinue Millennium's financing, in turn placed enormous pressure on Vancouver to stabilize the Olympic Village development. During an *in camera* meeting on 14 October 2008, the NPA-majority City Council advanced Millennium CAD\$100 million to cover the developer's cost over-runs (City of Vancouver, 2008). This decision was only made public three weeks later by *The Globe and Mail's* BC-based columnist Gary Mason (2008), himself an Olympic booster. Besides questioning the amount of public funds that had been advanced to the developer during a private meeting, Mason drew attention to the fact that most of the condominium units had yet to be sold, while the value of real estate in Vancouver continued to decline. All of these developments, which ran counter to statements from various civic elites that the project's financing was secure, coincided with the municipal election in November 2008.

The Olympic Village loan commitment emerged as a key issue in the election campaign that decimated the political career of Peter Ladner, the NPA's mayoral candidate who, as chairman of the city's finance committee, had chaired the *in camera* meeting on 14 October. Throughout the campaign, and as a result of mounting media criticism, Ladner was forced to defend the confidential loan to Millennium and, at one point, indignantly claimed that he was willing to risk losing the election rather than reveal information that might jeopardize Vancouver's interests (Montgomery, 2008). Predictably, Ladner's main political rival, Vision Vancouver candidate and former New Democratic Party Member of the Legislative Assembly, Gregor Robertson, campaigned to provide transparency on issues pertaining to the Olympic Village development and won the election.

The impact of the loan controversy on the 2008 municipal election offers an important opportunity to reflect upon competing interpretations concerning when citizens should be informed and consulted over important political decisions and matters of urban policy. On the one hand, Ladner and his supporters in the NPA argued that the decision to withhold information was simply reflective of the new reality of entrepreneurial urban policy-making, and the cost of preserving their bargaining interests in the sensitive negotiations that now commonly take place with the private sector. On the other hand, the emergence of the loan, and the fact that it had been granted *in camera*, as decisive issues in the municipal election, provide a preliminary indication of the desire of citizens for full public disclosure and consultation over decisions that have significant ramifications for the public coffers.

In hindsight, it was striking just how much Ladner and his advisors had misread the public's appetite for these new structures of urban governance, and failed to anticipate the resultant anger over a political process that shifted millions of dollars of public funds to a developer without disclosure or public consultation. For many citizens, the loan controversy symbolized a host of inter-related concerns, including excessive cost over-runs for the Olympic Games and a non-transparent political process that circumvented public debate and channeled money to a private developer and hedge fund. It can also be proposed that citizens took issue with the generous packages of financial assistance on offer to the private sector in a deepening recession. This was support that was not forthcoming to individuals who lost investments and savings during the

financial crisis, let alone working- and middle-class residents who endured fiscal austerity measures as Vancouver and the BC Government committed to funding the Olympics while making substantial cuts to social services and public programmes.

After defeating Ladner, Robertson released additional administrative reports that revealed the circumstances under which Vancouver had inherited the entire cost of the Olympic Village. For example, an administrative report from another *in camera* council meeting on 26 June 2007 revealed that civic staff had acquiesced to demands by Fortress for a payment guarantee of CAD\$190 million of the CAD\$750 million loan that the New York-based hedge fund had made to Millennium (City of Vancouver, 2007). At this time, municipal officials agreed to provide the hedge fund with a completion guarantee, thus obliging Vancouver to complete the Olympic Village in the event that Millennium was unable to do so – an agreement that transferred virtually all of the risk associated with the development to taxpayers. The documents also revealed that Millennium was forced to negotiate with a US hedge fund, instead of a major Canadian bank, to finance the construction of the Olympic Village. Had the development been financed by a major bank in Canada (where tightly regulated banks have emerged relatively unscathed from the 2008 financial crisis), the level of risk for the public sector might have been significantly reduced.

These concessions provide an indication of the power of the hedge fund over municipal officials in the closed-door negotiations. They also reveal that, by June 2007, municipal officials felt that they had little choice but to assume responsibility for the Olympic Village, as halting the project to find another developer would have placed Vancouver's commitment to VANOC to complete the Village by October 2009 in jeopardy. As a result of these pressures, in early 2009, Vancouver purchased the remainder of Millennium's building loan from Fortress for CAD\$319.5 million, and refinanced the project with Canadian banks. The prompt mobilization of such a significant amount of finance was only made possible after the BC Government convened an emergency meeting to pass an amendment that allowed Vancouver to borrow an unlimited amount of money to finance the development without having to hold a public referendum.

Transnational urbanism and “actually existing neoliberalism”

Although the Olympic Village was constructed on time for the 2010 Games, a number of questions remain about the legacy of this development and its associated political processes. First, as a result of the 2008 economic crisis, Vancouver has struggled to recoup its investment in the billion-dollar development. In November 2010, at the request of Millennium and Vancouver, the Olympic Village was put into receivership, so giving the city full control over the marketing and sale of the remaining units (Bula, 2010). By 2011, over 340 condominium units were unsold and conservative estimates suggested that Vancouver was poised to lose well over CAD\$230 million on the project (Mason, 2011). Moreover, as a result of the pressure to have the Olympic Village completed in time for the Games, the development was built quickly, resulting in a number of structural and aesthetic flaws. These concerns, in turn, prompted one quarter of Olympic Village condominium pre-sale buyers to file a well-publicized lawsuit against the City of Vancouver to have their purchases rescinded, a development that has only hindered future sales.

Questions have also been raised about the legacy of social housing associated with the Olympic Village. Unsurprisingly, the City of Vancouver was immediately faced with pressure to sell the 252 non-market units to recoup some of its investment in the development. In April 2010, municipal officials voted to keep only half of the original number of units of social housing, designating the other half as market rental units targeted at a segment of public service employees. In light of the high cost of living in Vancouver, the expense of renting, let alone purchasing the units, appears to remain simply beyond the means of the city's middle-class residents (let alone less affluent citizens). Building on this point, recent observers of the Olympic Movement have suggested that, while civic officials may use the Olympic Games to showcase modern local identities and cosmopolitan urban vistas to the world, the targets of these discourses are not exclusively visitors and potential outside investors, but also local citizens who are encouraged to think differently about themselves and the city in which they reside. Through these transformative practices, residents are invited to consume 'world class' products and embrace "new codes and habits of consumption and...a new and less provincial perspective on their place in the world" (Whitson, 2004: 1222).

Given the transformation and growth of Vancouver's urban landscape over the course of the last two decades, invitations to that city's business and professional classes to pursue cosmopolitan lifestyles have been embraced by many. Yet, these aspirations can only continue if there exists ongoing demand from local consumers whose wages have risen to the extent that they can afford to take part in the types of lifestyle on offer in contemporary 'world class' cities. What was evident with respect to the Olympic Village, then, was the collision between the most recent crisis of global capitalism and the cumulative impacts of two decades of neoliberal policies on local residents who continue to encounter soaring costs of living in Vancouver. This problem now affects not only the less affluent residents of Vancouver, but beleaguered middle-class families who, even after the market correction of 2008 and a real estate market that continues to decline (residential sales plunged 32.5 per cent between September 2011 and September 2012), still cannot afford to purchase the types of condominium units currently on offer, let alone the types of house that their parents purchased only a generation ago.

London's successful bid for the 2012 Summer Olympic Games, meanwhile, was envisioned to include an ambitious £1 billion Olympic Village as the anchor for the broader regeneration and development of a sustainable community, including 2,800 new residences along the River Lea in the Stratford area of old industrial East London. Notably, the Olympic Village was constructed on the site of the Clays Lane Housing Co-operative that was once the home of 450 tenants and a vibrant community with its own café, community hall, and local advice centre. Despite vocal opposition and protest, the entire mutual housing co-operative was the subject of a compulsory purchase order by the London Development Agency in the summer of 2007. Once again, it is important to raise questions about who benefits from such rapid changes in land use values, particularly in relation to less affluent citizens who need access to low rent and social housing. Like Vancouver's Olympic Village, the development in East London was also to be completely financed by private capital. However, following the economic crisis of 2008, Lend Lease – the developer that constructed the Olympic Village for the 2000 Summer Olympic Games in Sydney – was unable to secure financing. Consequently, the project had to be 'rescued' by the state, beginning with the provision of £326 million of public funds in January 2008 to ensure the continuation of construction. The entire development was eventually nationalized. In 2009, the

Olympic Delivery Authority sold the designated 1,379 affordable homes to Triathlon Homes for £268 million and, in the summer of 2011, the remaining 1,439 properties were sold to Qatari Diar (the property branch of Qatar's sovereign wealth fund) and local property tycoon James Ritblat's company Delancey Estates in a £557m deal that will result in a £275m loss for UK taxpayers. The latter properties will exist as private rental accommodation, a potentially lucrative investment given the "knock-down" sale price of the property deal (Wright, 2011).

There are concerns, however, that local residents of East London may be priced out of the affordable housing options following the Coalition government's recent changes to housing policy that allow the rental of subsidized housing at up to 80 per cent of market rates (Cooper, 2012). The transformation of this policy, it can be suggested, encourages a redefinition of affordable housing away from homes for working-class and less affluent citizens, to a middle-class population of recent graduates and young, working professionals (ibid.). Indeed, with over 32,000 people on social housing waiting lists (ibid.), it remains doubtful whether the allocated social housing in the Olympic Village will have any type of enduring impact on such a significant public issue. It scarcely needs saying that these are material tensions and inequalities that will certainly be amplified as Britain enters a period of severe fiscal austerity measures while also paying off the £24 billion price tag of the 2012 Summer Olympic Games.

All of these issues provide an indication of the difficulties facing any level of government that envisions investing substantial hopes and resources into providing a legacy of social housing in large-scale Olympic Village developments; claims that, over the course of the last 10 years, have become standard features of Olympic bidding campaigns and host city contracts. In Sydney, Australia, for example, the costly Olympic Village development (which was constructed in favourable economic conditions) did not include social housing, allowing the developer to sell all the units at market rates. Moreover, the resulting increase in land prices and rents acted as a further barrier for less affluent residents seeking to reside in the new gentrified area (Lenskyj, 2002), a criticism that has been directed at innumerable culture-led, urban development projects (Garcia, 2004). Less than a decade later, however, the construction of Vancouver's Olympic Village occurred during an economic crisis, forcing Vancouver to take over the financing of the development and to jettison half of the designated social housing units. In the Canadian context, these issues also point to the need for new structures of urban governance with sufficient powers to address issues of social polarization and the management of social diversity (Andrew, 2001). These will be structures of governance, moreover, that, against the grain (and the demands) of top-down entrepreneurial approaches to urban government, are transparent in their dealings with business and engage in consultation with all stakeholders, including low-income groups and social housing advocates.

Related to these points, I return briefly to the broader set of economic and cultural pressures that are spurring cities throughout not only North America and Europe, but also Asia and Latin America, to pursue large-scale, debt-financed urban development projects, and to consider who benefits from these civic priorities as cities compete to attract members of what Richard Florida (2002) has called 'the creative class'. Against the backdrop of economic deregulation and the emergence of global financial and property markets has been the ascendance of a new transnational urbanism, where:

Quality of urban life has become a commodity for those with money, as has the city itself in a world where consumerism, tourism, niche marketing, cultural and knowledge-based industries, as well as perpetual resort to the economy of the spectacle, have become major aspects of urban political economy (Harvey, 2010: 175).

Coinciding with these trends has been the emergence of a global market for waterfront property (land overlooking rivers, harbours, or, in the case of Rio de Janeiro, expansive beaches and ocean views) that global business elites can use as both tourists and residents. These gentrified developments, it can be further proposed, represent a new stage in the revalorization of already valuable land, and the standardization of cities according to a privileged set of global tastes for similar cultural amenities and lifestyle choices: waterfront communities, hotels, exclusive golf courses, shopping centres, and other branded leisure and entertainment complexes, all of which are made familiar by global marketing.

While criticism has been directed at the standardization of “placeless” urban identities designed to suit the lifestyles of “extraterritorials” (Bauman, 2001), many of these developments face new risks as a result of the 2008 economic crisis. For example, the government-backed Dubai World had borrowed extensively from British and other European banks to build its urban spectacles, but “declared it could not meet its obligations in late 2009, sending all manner of tremors through global markets” (Harvey, 2010: 175). In Beijing, meanwhile, new office towers, hotels, and luxury apartments – many of which were built on speculation and subsidized by state loans – have struggled to attract investors, tenants, and tourists since the 2008 Summer Olympics. While financial risks have always existed for cities and governments that pursue large-scale, debt-financed urban development projects, the global impacts of the 2008 financial crisis are yet to be fully appreciated.

As various governments have absorbed the costs of these developments, they have also been confronted with the effects of years of financial restructuring and fiscal austerity measures – heightened levels of social polarization and a growing gap between the rich and poor. These are the geographies of “actually existing neoliberalism” (Brenner and Theodore, 2002), where luxurious waterfront developments, costly cultural spectacles like the Olympic Games, and other displays of wealth occur alongside high levels of poverty in major urban settings, from the barrios of Rio de Janeiro to Vancouver, a city with thousands of homeless. Moreover, there are always ‘opportunity costs’ that are regularly incurred with these developments – developments that provide business and cultural opportunities for the corporate sector, but are often accompanied by cuts to social infrastructure and to other economic projects that could improve the lives of the most vulnerable citizens. Gentrification, I have suggested, inevitably changes communities, including adding value to both commercial and residential properties, while also changing their commercial and cultural makeup. In the worst instances, these developments can result in gated communities and ‘lifestyle enclaves’ that are literally cut off from the broader communities that surround them (Abrahamson, 2004). However, even when these new communities are not physically gated, they are often places where property and rental prices act as sizeable barriers to less affluent residents. The corollary of these developments – the creation of communities for like-minded, middle-and-upper class individuals and families – is the nourishment of a “socio-cultural bubble” that, for the sociologist Zygmunt Bauman (2001),

insulates many affluent professional people not only from the lives of working-class families (let alone those on social assistance), but also from the very real impacts of neoliberal social policies (including cuts to social services that arise from hosting mega-events).

Indeed, accompanying heightened levels of material and social inequality in North American cities have been increasingly polarized local political spheres within which two very different types of claim are being made on scarce public resources:

In one camp, transnational businesses and investors align themselves with local political and business elites in pressing the case that downtown business districts need major capital investments, including “world class” sporting and cultural facilities, if the city is to attract new investment and talent. In the other camp, community groups and less affluent citizens make claims about their needs for labour-intensive public services, and for low profile “community use” facilities of the sort that elites (and visitors to the city) seldom use, but can make real differences in the lives of lower income families (Whitson, 2005: 42).

Here I want to reinforce an earlier point – that no vision of cities where economic growth produces spectacular wealth and lifestyle options for some, while excluding and alienating other local residents, is tenable for any significant duration of time. Indeed, over the course of the last two decades in Canada, the potential for conflict over urban issues, including the hosting of mega-events like the Olympic Games, has been heightened. In Vancouver, for instance, a number of infrastructure developments associated with the Games were targeted by a range of protesters: environmental activists and middle-upper class residents of West Vancouver protested the construction of the Sea-to-Sky highway through Eagleridge Bluffs (an endangered ecosystem); while anti-poverty activists and residents of East Vancouver engaged in civil disobedience against the spending of public funds for Olympic-related priorities (including athlete accommodation) at the expense of the city’s longstanding need for low-income housing.

Thus, despite popular rhetoric that equates the presence of the Olympic Games with community-wide benefits, there are significant public as well as major corporate interests at stake with these divisive developments. This is precisely why there is a need for greater public consultation and disclosure over the different types of claim being made on public resources by competing interest groups, in addition to the development of urban cultural policies. These will be policies that frame the significant investment of public funds required to produce mega-events and related infrastructure “in an assessment of long term cultural legacies or coherent strategies that seek to secure a balanced spatial and social distribution of benefits” (Garcia, 2004: 313). Yet, in the current global financial climate of economic deregulation – and with the emergence of financial institutions like hedge funds – public officials are under pressure to negotiate with business leaders and lenders who want to conduct their dealings *in camera*. While this practice may be acceptable in corporate settings, the lesson for the public sector is that, in doing so, they risk assuming much of the financial liability of costly developments that push civic priorities and political energies further away from other community projects and social needs, thereby exacerbating urban tensions and inequalities.

Conclusion: A matter of urban cultural policy

Throughout this paper, I have argued that the economic calculus associated with hosting the Olympic Games has been transformed in recent years, not solely because of the provision of state-of-the-art athletic facilities, but as a result of the civic ambition embodied in other costly infrastructure projects like Olympic Villages. Moreover, these debt-financed developments are accompanied by significant risks for the public–private partnerships that pursue them – risks that, as Vancouver and London discovered, are further elevated and, crucially, transferred to the public sector in times of economic crisis.

The final issue that I wish to emphasize, though, is transparency: the issue that, as we have seen, came to the forefront of the Vancouver municipal election in the autumn of 2008, and ultimately cost the pro-business candidate, Peter Ladner, the mayoralty. For many years now, activists and scholars alike have called for the IOC to require candidate cities to undertake detailed social impact assessments and widespread public consultation prior to bidding for the Games. To this salutary observation, I add the need for ongoing public dialogue and consultation with local citizens throughout the entire build-up to the Olympic Games, especially in the current financial climate where public officials are increasingly called upon to negotiate with business leaders and other lenders who want to conduct their dealings *in camera*. These processes would, ideally, provide accurate and timely information about changing opportunity costs and environmental impacts, while allowing for emergent financial risks to be debated and carefully considered by the entire community. This is precisely what occurred in Colorado in 1972 when in a statewide referendum a majority voted against the use of public funds to finance the 1976 Winter Olympics Games, which the IOC subsequently awarded to Innsbruck, Austria.

Even the most rigorous and widespread processes of public consultation, it is granted, can be skewed to support the interests of powerful and wealthy groups with greater resources (Scherer and Sam, 2008). Moreover, there are no guarantees that the political commitments made during these processes will be fulfilled. Still, a requirement for broader and ongoing public dialogue over decisions related to the allocation of public resources for the Olympic Games – as a matter of urban cultural policy – may allow citizens partly to reclaim an increasingly privatized entrepreneurial policy-making context, and fully engage with and debate the types of question that inevitably involve competing interpretations of the public good.

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