

April 14, 2016

Her Worship Lisa Helps
Mayor
City of Victoria
1 Centennial Square
Victoria, British Columbia
V8W 1P6

Dear Mayor Helps:

Thank you for your interest in hosting a gaming facility in the City of Victoria. BCLC appreciates that local governments in the Greater Victoria area have enthusiastically participated in the Expression of Interest (EOI) process.

Five local governments responded to BCLC in December 2015, including the City of Victoria, District of Saanich, Esquimalt Nation, Songhees Nation and the Township of Esquimalt. The District of Oak Bay declined to participate.

The first phase of BCLC's EOI process consisted of reviewing and assessing each potential host local government's submission based on criteria related to community support, geographic, economic and demographic considerations. The rigorous review process was overseen by an independent third party to ensure fairness and consistent application of standards in the assessment of each response.

BCLC has now concluded the first phase of its EOI process and has determined that a second phase in the process is necessary to determine a potential host local government.

Although no decision has been made, we are pleased to advise you that the City of Victoria has been identified as a local government with strong potential to host a gaming facility. Accordingly, BCLC invites the City of Victoria to participate in phase two of the EOI process, as set out below.

BCLC is considering either the City of Victoria or the District of Saanich as a potential host local government for a gaming facility. We will not pursue a gaming facility with the Esquimalt Nation, Songhees Nation or the Township of Esquimalt at this time.



74 West Seymour Street
Kamloops, BC V2C 1E2

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F 250.828.5631

2940 Virtual Way
Vancouver, BC V5M 0A6

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F 604.225.6424
bclc.com

Phase two of the EOI process consists of BCLC providing details regarding the proposed facility's size and scope and requesting additional information related to the City of Victoria's policies, plans and zoning with respect to the proposed gaming facility. Please see Appendix A.

Responses received in phase two will be reviewed and assessed as part of a process that is overseen by an independent third party. Upon completion of phase two, BCLC will make a final decision regarding its preferred host local government for a potential gaming facility. BCLC's decision, once made, is final.

This response to BCLC is non-binding, and may be forwarded under the signature of the Mayor or the Chief Administrative Officer.

BCLC respectfully requests a response no later than 4 p.m. PT on Thursday, June 23, 2016. Responses should be sent to:

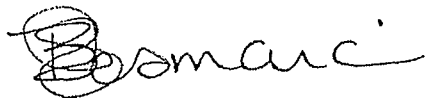
Greg Walker
Director of Public Affairs, BCLC
2940 Virtual Way
Vancouver, BC V5M 0A6
gwalker@bclc.com

Once a final decision to proceed with a municipality has been made, BCLC will advise you directly. Following that, BCLC will determine the service provider and begin the public consultation process as mandated by the Gaming Control Act.

At any time, we are available to meet with you to provide further detail on our market analysis and the EOI process. If a local government does not wish to be considered to host a gaming facility, no further steps need be taken.

BCLC appreciates the interest of the City of Victoria. We look forward to hearing from you soon.

Sincerely,

A handwritten signature in black ink, appearing to read "Desmarais", with a stylized circular mark at the beginning.

Brad Desmarais
Vice President
Casino and Community Gaming

cc: Susan Dolinski, BCLC
Jerry Williamson, BCLC
Greg Walker, BCLC

Appendix A

BCLC has concluded the initial phase of its Expression of Interest (EOI) process, and identified two local governments with strong potential to host a gaming facility in Greater Victoria.

Additional Information about Proposed Gaming Facility:

- 1) At present, BCLC is considering one of two gaming facility options for use in your community. A decision on which option will be determined by BCLC once a potential host local government selection has been made.

Option A: Community Gaming Centre

- A combination of bingo (or electronic bingo) slot machines, traditional lottery products, restaurant, lounge, tele-theatre and a community stage area for live entertainment performances.

Option B: Casino

- A full-service gambling entertainment facility with slot machines and table games.
- Additional amenities may include restaurants, lounge, theatre, conference centre, hotel, spa and a stage area for live entertainment performance.

2) Gaming Facility Size and Scope

- Any land sites being considered for a gaming facility must satisfy the following requirements:
 - The gaming floor being considered by BCLC at this time is in the range of 15,000 to 30,000 square feet with room to expand if required in the future. The physical space of the entire facility, including amenities is yet to be determined.
 - A minimum of 400 parking stalls.
- An important determinant in choosing a gaming facility site is the minimizing of any impact on surrounding gaming facilities, e.g. the View Royal Casino. Drive times from the View Royal Casino may be considered in the evaluation of potential location.

3) Revenue Potential

- The total annual revenue potential for South Vancouver Island is approximately \$112 million. BCLC currently captures approximately \$45 million, and is looking to capture the remaining.

- The number of slot machines being considered in the gaming facility ranges from 300 to 400 to start, with the ability to grow with demand in the future.
 - If table games are included in the gaming facility, the number being considered ranges between 8 and 10.
 - Final game mix and counts will be determined by BCLC, taking into consideration market conditions at the time and any restrictions imposed by the Host Local Government.
- 4) The annual revenue potential for the facility is initially expected to be \$30 million to \$45 million. Based on this revenue estimate, the resulting Host Local Government payment potential would be approximately \$1.8 million to \$2.5 million annually.

Questions for the City of Victoria:

- 1) The City of Victoria's *Casino Rezoning Guidelines* identifies zones to be considered for the location of a casino. These include:
- The Douglas-Blanshard Corridor
 - The Tourism Precinct of James Bay

Site sensitive areas:

- Belleville Street buildings between Pendray and Menzies Streets
- The Crystal Gardens site

Recognizing these sites specified by the Casino Rezoning Guidelines, are there any other areas of the municipality that the City of Victoria would consider as preferable for the location of a gaming facility?

- 2) Given BCLC's requirement of a minimum of 400 parking stalls for a gaming facility, is this requirement consistent with the Traffic and Parking section of the City's Casino Rezoning Guidelines?
- 3) Given that casino gaming is not a permitted use in the City of Victoria, would the City re-zone on a site-specific basis in the event that a gaming proposal was received from BCLC?
- 4) What amenities does the City require be included in the facility? I.e. hotel, conference centre, theatre, etc.
- 5) What is the City's timeline for approving a development proposal?

BCLC respectfully requests a response no later than 4 p.m. PT on Thursday, June 23, 2016.



Information Bulletin

Saanich and Victoria Move to Next Phase in the Expression of Interest Process

April 14, 2016, Vancouver B.C., BCLC has concluded the first phase of the Expression of Interest process to determine which local governments will move to the next stage to be considered a potential host community for a gaming facility. The District of Saanich and the City of Victoria will proceed to the next phase following the evaluation of all Expressions of Interest received. BCLC will work with these two local governments in order to gather further information and reach a decision on the preferred local government.

BCLC appreciates the participation of the Esquimalt First Nation, Songhees First Nation and the Township of Esquimalt which each submitted an expression of interest and will meet with these municipalities to review the results of the assessment and reasons why they will not proceed in the process.

An evaluation team, overseen by a third-party fairness monitor, scored each of the submissions, based on criteria related to community support, geographic, economic and demographic considerations.

BCLC respects the authority of local governments to choose whether they want a gaming facility in their community. An announcement will be made when the second phase concludes and a preferred host local government is selected.

Based on a recent market assessment, BCLC identified a marketplace opportunity for an additional gaming facility in Greater Victoria that would complement the existing View Royal Casino. An EOI process was launched in October 2015 with six local governments to determine gaming interest in their communities. The application deadline to be considered a host local government was December 11, 2015. BCLC received Expressions of Interest from the City of Victoria, District of Saanich, Township of Esquimalt, Esquimalt First Nation and Songhees First Nation. The District of Oak Bay declined.

For more information, visit bclc.com or contact:

BCLC Media Relations
604-225-6460
mediarelations@bclc.com

Gaming Facility Expression of Interest in Greater Victoria

BCLC has concluded the first phase of the Expression of Interest process to determine which local governments will move to the next stage to be considered a potential host community for a gaming facility.

The District of Saanich and the City of Victoria will proceed to the next phase following the evaluation of all expressions of interest received. BCLC will work with these two local governments in order to gather further information and reach a decision on the preferred local government.

As part of phase two, BCLC is providing additional information about the proposed size and scope of a gaming facility including:

- Differences between casinos and community gaming centres;
- Land requirements for a gaming facility;
- A potential range of the number of slot machines and table games at the facility;
- Site revenue projections, and potential revenue from gaming to the host local government.

Type of Gaming Facility

There are two types of gaming facilities that could be located in the Greater Victoria area:

Community Gaming Centre

A combination of bingo (or electronic bingo), slot machines, traditional lottery products, restaurant, lounge, tele-theatre and a small stage for live entertainment performances.

Casino

A full-service gambling entertainment facility with slot machines and table games. Additional amenities at casinos may include restaurants, lounge, theatre, conference centre, hotel, spa and a stage area for live entertainment performance.

Size and Scope of Gaming Facility

Any land sites being considered for a gaming facility must satisfy the following requirements:

- The gaming floor being considered is in the range of 15,000 to 30,000 square feet.
- The physical space of the entire facility, including amenities is yet to be determined.
- A minimum of 400 parking stalls.

An important determinant in choosing a gaming facility site is the minimizing of any impact on surrounding gaming facilities, e.g. the View Royal Casino. Drive times from the View Royal Casino may be considered in the evaluation of potential location.

The type and size of gaming facility will be determined by BCLC and take into consideration municipal government input.

Estimated Annual Revenue Potential

- The revenue potential of the facility is \$30 million to \$45 million.
- Local governments that host a gaming facility receive a 10 per cent share of the net income generated by that facility. The resulting host local government revenue potential would be approximately \$1.8 million to \$2.5 million annually.
- The potential annual revenue to BCLC from slot machines ranges between \$30 and \$40 million.
- The potential annual revenue from table games is \$1 to \$5 million.
- The final number of slot machines and table games will be determined by BCLC, taking into consideration market conditions at the time and any restrictions imposed by the host local government.

About BCLC

BCLC is a provincial Crown corporation offering socially responsible gambling entertainment while generating more than \$1 billion in provincial revenue last year that went back into health care, education and community groups across B.C.

For casino gaming, BCLC is responsible for monitoring the gambling market in B.C. and determining the appropriate supply of gaming to meet demand. This includes determining whether there is a demand for a gaming facility in a given area, as well as what and how many products (slot machines, table games) would appropriately serve that market.

BCLC contracts with private sector companies which either own or lease the facilities and operate them on BCLC's behalf. They hire the staff and provide day-to-day operations. They sign operating agreements with BCLC and receive commissions based on the gambling revenue the facilities generate.

BCLC owns and deploys the gaming equipment, such as playing cards, shufflers, chips, dice, and slot machines. We set and oversee operating standards, policies, and procedures, including security, surveillance, and responsible gambling. We monitor our operators to ensure they comply with these standards, as well as with legislation, regulations, and federal laws.

Every gaming worker, including BCLC staff and those employed by our private sector service providers, must be registered by our regulator, the Gaming Policy and Enforcement Branch.

For more information, visit bclc.com or contact:

BCLC Media Relations
604-225-6460
mediarelations@bclc.com

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