

Update – Re: Hotel adjacent to PNC
November 13, 2008

Due to the media coverage of the agreement between the City of Vancouver and Millennium related to the Olympic Athletes Village Project, there has been considerable public and media interest in the terms of the agreements between Millennium and the City of Nanaimo and potential similarities, or differences from the situation in Vancouver.

The media has reported that the City of Vancouver has provided loans and loan guarantees to Millennium to ensure the timely completion of the Olympic Athletes Village. The details of the agreement between the City of Vancouver and Millennium have not been made public since the agreement remains subject to In-camera confidentiality.

By contrast, all the agreements between the City of Nanaimo and Millennium are public documents. In fact, the agreements are posted in full on the City's website for all to see. These agreements document the full and complete relationship between the City of Nanaimo and Millennium and the City is conducting itself within these agreements.

There are also no loans or loan guarantees granted to Millennium by the City of Nanaimo. As outlined in the agreements the City has paid fees to Millennium. Project Management Fees have been paid for Millennium's role in project management of the construction of the PNC and Development Fees have been paid in part to offset some of their costs related to development of the hotel. If the hotel does not proceed the agreement requires Millennium to refund fees to the City, plus other City costs and expenses.

The ownership of the hotel site adjacent to the PNC has been transferred to Millennium as required by the agreement so that the hotel can proceed to construction. If the hotel is not built this land is to be returned to the City. The other development site at the old foundry/civic arena property has not been transferred to Millennium and will not be transferred until the hotel is under construction and Millennium's plans for development of the Foundry site are further advanced.

Representatives from Millennium continue to advise that the hotel is proceeding to construction using established financing and will be complete by June 30, 2010 as required by the agreement with the City. They deny that they are in financial difficulty. Millennium has entered into a contract with ITC for construction management and is working with their design and operations team to finalize a design.

The hotel is an important component of the PNC. The hotel will increase the City's inventory of available accommodation suitable for the conference industry. The added rooms will increase the potential overnight visits to the City which are a great economic generator.

So, while the Hotel is still a missing piece of our revitalization plan and is still required to allow the community's various investments to reach their potential, the VICC is proving to be successful even without the hotel. The design and construction has been recognized with numerous awards for excellence. Most all citizens agree that the Centre is an attractive asset for the downtown. Several

multi-day conferences have already held successful events at the VICC with attendees utilizing existing hotel facilities. The operator of the Centre is working closely with accommodation providers in the City to maximize the joint opportunities now available. As of November 7, 2008, bookings at the VICC totaled 262 conferences, trade shows and events (not including opening events or council meetings).

It is true that some conferences have declined to book major events at the VICC until the hotel exists. Accordingly, the operators of the Centre have revised their marketing strategies to fill the calendar with events that can be accommodated in existing hotels. They expect to achieve originally targeted 2009 sales revenues with this revised approach.

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