

Madison Bellevue Apartments Corp.

1500-701 W. Georgia St. Vancouver, B.C.

Jacquie Forbes-Roberts
General Manager
Community Services Group
453 West 12th Avenue
Vancouver BC V5Y 1V4

Re: 101 West Hastings, Woodward's property.

Dear Ms. Forbes-Roberts,

I am writing this letter to summarize the status of our due diligence on the Woodward's property, to request, and explain why it is necessary, that the City of Vancouver grant a density bonus and a property tax freeze in order to help make this project economically viable.

Vision for the Woodward's Property:

Our vision for the Woodward's property is to use the existing development permit to convert the upper floors to 400 + affordable residential rental homes, and, lower main, ground and second floor will be developed into some type of retail use. Our target market for the residential rental units will be lower income singles and couples. We believe that the renovation and rejuvenation of this property will spur further development and investment in the area.

Residential Portion:

The residential would be geared towards the lower end of the rental market. We have applied for a CMHC RRAP forgivable loan in the amount of \$3,600,000. Under the terms of this loan, 200 of the units would have capped rental rates and income limits that meet the core needs criteria established by CMHC. The RRAP loan will be for a term of 15 years.

The residential units would be operated by a non-profit society. The society will be looking for additional funds thru BCHMC by way of rental subsidies to increase the affordability of the units. In addition, they will liaison with various local service providers to ensure the needs of the community are met. One of the service providers we are currently working with is the Vancouver Resource Society, who has expressed an interest in approximately 40 units throughout the property. Vancouver Resource Society provides opportunities for people with disabilities to integrate their lives in the community; this is achieved through the development of accessible housing with support services.

Retail Portion:

While we have made relatively good progress with the economic viability of the residential component, this has not been the case with the retail component. The challenge we are having is the cost associated with upgrading the retail component, lack of demand for retail in the area due to the negative perception among retailers and the inefficiency of the property. In order to attract retailers it is necessary that the lease expenses are affordable; the first few years will be tough for a retail operator while they try and lure shoppers back to the area.

Property Density Bonus:

In order to offset the high cost of saving this heritage property we propose a transferable heritage density bonus of 100,000 sq. ft. We would propose that this bonus could only be transferred to other properties that we own and plan on developing within the next 10 years.

Property Tax Freeze:

To help maintain the affordability of the residential units, we are requesting a property tax freeze. In exchange we would be willing to enter into a 15 year housing agreement with the City of Vancouver.

To ensure low operating cost for the retailer(s) that agree to take the risks associated with opening a new business in the area, we are looking for a property tax freeze for a period of 10 years. This savings would be passed on directly to the retailer(s) by way of reduced operating costs.

Additional Benefits to the Community:

We believe this property offers a great benefit to the community by way of a vehicle for employment training as well as long term employment for local residents. We have entered into a memorandum of understanding with Fast Track to Employment (FTE) whereby we will give first consideration to suitable FTE graduates for employment as well as ancillary services such as food and recycling, that furthers community enterprise development. We estimate the job creation for the construction period to be over 100 full time positions for a period of 15 months. Once the property is fully operational there will be opportunities for management, janitorial and security positions in the residential portion as well as sales and service positions in the retail portion. FTE is a non-profit organization that provides a supportive and successful path to employment that assists the unemployed to re-enter and sustain their participation in the labour market.

In a study on the benefits for the redevelopment of the Woodward's property dated November 2001, prepared by BC Housing in association with Colliers International and Harris Hudema consulting group, increased land values was identified as a neighbourhood benefits. The redevelopment would encourage more small scale redevelopment throughout the area. The report estimated that the redevelopment would lead to an increase in property tax from the entire neighbourhood of \$670,000 based on a 25% increase in property tax base from the surrounding area.

Conclusion:

In conclusion, if this project does not make economic sense when interest rates are at a 40 year low, it will never make sense. Not supporting incentives for this property will, in our view, possibly result in the property remaining boarded up for many years or demolished.

As highlighted in the May 2002 Downtown Eastside economic study that was commissioned by the City of Vancouver, the Woodward's property is the most significant development in revitalizing the area. The study also found that in order to make this project viable it is essential that the government gives financial support to the property.

If we receive the necessary approval from City Council for the density bonus and tax freeze initiatives, we will proceed with the due diligence on the purchase as contemplated above. However, these initiatives are only a piece of the puzzle, it is essential that all pieces come together before we can commit to the purchase. We are finding that the existing negative publicity, the diversity of politics and more recently, the harassment directed against us, are making potential investors, construction partners and bankers reluctant to get involved in the Woodward's property. A peaceful solution to the protest, community support for our proposal, the Provincial and Federal government support and a fixed price for the construction costs are all missing pieces. Since this development is a major undertaking involving an old building that was constructed in approximately eleven different stages, it is imperative that a well qualified construction company commits to this project, and as yet we have not found this key piece to the puzzle.

Please feel free to contact me with any questions you may have.

Yours truly,

Geoffrey Hughes