



ADMINISTRATIVE REPORT

Report Date: October 20, 2009
Contacts: Annetta Guichon
Celine Mauboules
Contact No.: 871.6627/871.6848
RTS No.: 07968
VanRIMS No.: 08-2000-20
Meeting Date: November 5, 2009

TO: Standing Committee on Planning and Environment

FROM: Subdivision Approving Officer in consultation with the Managing Director of Social Development

SUBJECT: Proposed Strata Conversion at 5487 Cecil Street

RECOMMENDATION

- A. THAT the application to convert the occupied building at 5487 Cecil Street (Parcel A, Block 30, D.L. 37, Plan LMP33497) to strata title ownership be refused.

OR

CONSIDERATION

- B. THAT the application to convert the occupied building at 5487 Cecil Street (Parcel A, Block 30, D.L. 37, Plan LMP33497) to strata title ownership be approved on the condition that the owners make a contribution of \$10,000 per unit (\$190,000 in total) to the Affordable Housing Fund and that tenants are provided first opportunity to purchase their suites with discounts as outlined in this report with the arrangements, including the agreements to purchase, subject to the satisfaction of the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of recommendation A. Although there is a compelling case for affordable home ownership with the proponents' proposal, denial of the application would be consistent with recent efforts to promote the creation and retention of rental housing in the City.

COUNCIL POLICY

Council policy is reflected in the City's Strata Title and Cooperative Conversion Guidelines, which outline factors which Council will consider in reviewing applications for converting previously occupied buildings to strata title or cooperative ownership. Council approval is required specifically for all residential buildings containing six dwelling units or more.

BACKGROUND

5487 Cecil Street is an existing C-2 zoned mixed-use building comprised of 4 commercial units on the main floor, and 19 residential units on the 2nd through 4th floors, all over shared underground parking.

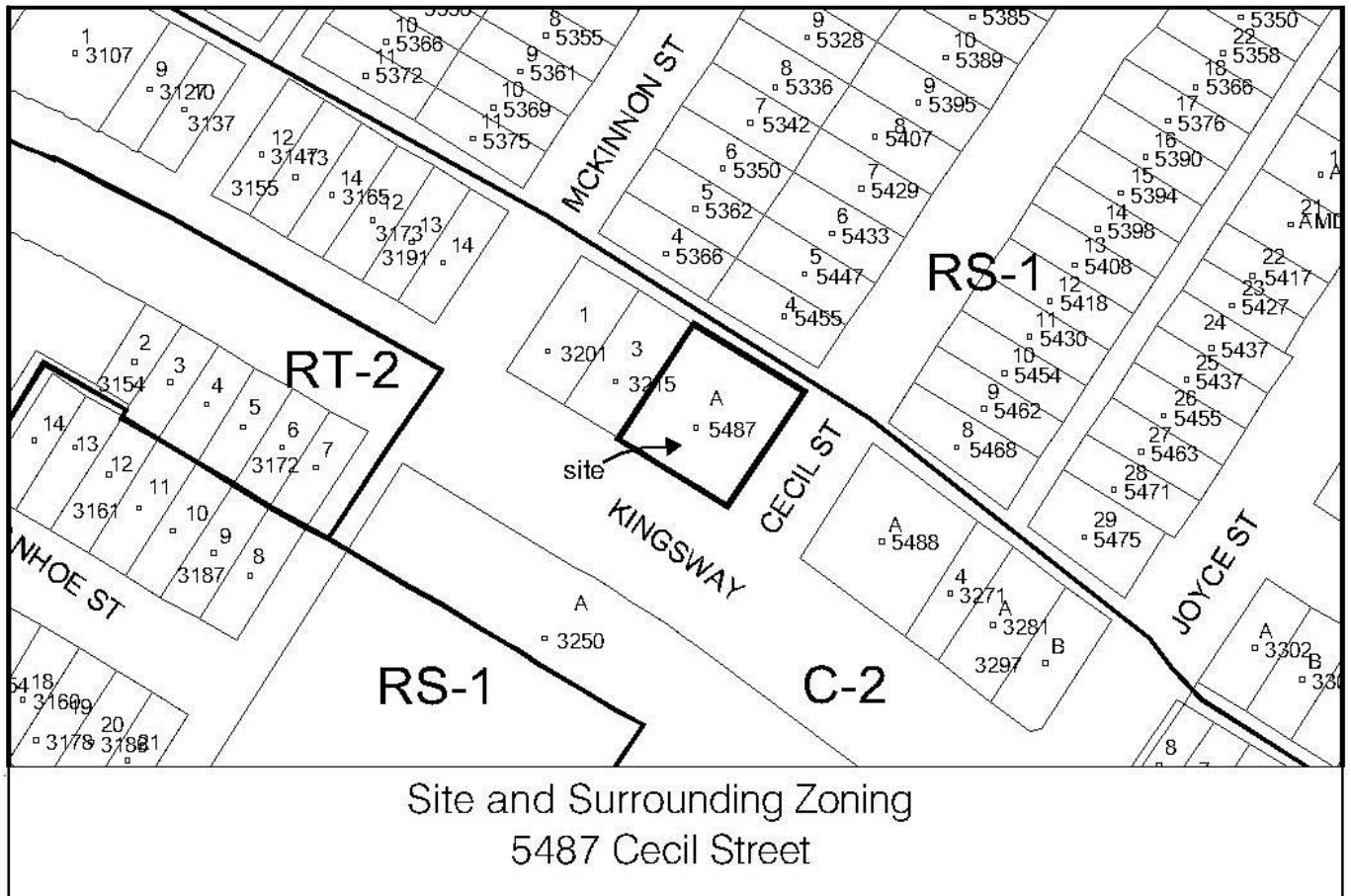
On May 24, 2007, Council approved new policies preserving rental housing stock in certain zones, including the RM, FM-1 and CD-1 zones. The Strata Title and Cooperative Conversion Guidelines were also amended to reflect the new policies, which do not apply to lands zoned C-2.

The provisions of the *Strata Property Act* pertaining to conversion of previously occupied buildings enables Council to approve a strata conversion, approve the conversion subject to conditions, or refuse the conversion. A strata title conversion application must not be approved unless the building substantially complies with applicable City by-laws and in particular, the Building By-law. In addition, the *Act* states that before making its decision the approving authority must consider:

- the priority of rental accommodation over privately owned housing in the area;
- any proposals for the relocation of persons occupying a residential building;
- the life expectancy of the building;
- projected major increases in maintenance costs due to the condition of the building; and
- any other matters that, in its opinion, are relevant.

Applications for strata title conversion of buildings containing six or more previously occupied residential units are relatively rare. There have been a few in the last decade or so. The most recent applications before Council were 2226 West 12th Avenue (February 2005) and the Maguire at 2665 West Broadway (July 2007), both of which will be discussed later in this report. The infrequency of these applications is largely due to the cost of significant building upgrades needed to comply with the current Building By-law requirements, particularly for older rental buildings. In addition, it is often difficult to achieve the support of at least two-thirds of the households occupying the building, as specified in Council's "Strata Title and Cooperative Conversion Guidelines".

5487 Cecil Street was constructed in 1997 and was occupied by residential tenants until June 2005, when a marijuana grow operation was discovered. Electrical power was disconnected, causing all tenants to be evicted. The current owner purchased the property as a market-rental property in March 2008. Repairs are nearly complete, and the building was fully tenanted at the time of the strata conversion application submission on December 10, 2008. The location of the site is shown on the following page.



DISCUSSION

In addition to Development Services staff, the City Engineer, the Chief Building Official and the Managing Director of Social Development have reviewed the strata conversion application.

The City Engineer has no requirements for this application. At the time of application, the Chief Building Official reported that upgrades were required in order for this building to comply with all relevant City By-laws. These upgrades must be completed prior to registration of any strata plans, and therefore the costs would not be borne by the new owners.

At the time of application for strata conversion (December 2008), form letters were submitted by the applicant to the City, indicating that the majority of residential tenants were in support of the application. The City's Strata Title and Cooperative Conversion Guidelines require that notices be posted in the building stating the intent to convert the building to strata title ownership, and that City staff notify the residential tenants. In response to the staff notification, 19 responses were received; 18 tenants supported the application and one stated that he did not know if he supported the proposal. The response exceeded the requirement for 2/3 tenant support.

The building owners are offering tenants a number of options should the strata conversion application be approved. The tenants are being offered first right of refusal to purchase their suites at a discount of roughly 30% below market value (based on neighbourhood comparables). Prospective purchase prices submitted with this application range from \$101,210 for a studio unit to \$265,930 for a two-bedroom and den unit, with the average price being approximately \$215,870. As a further incentive, the applicant will also offer each tenant an additional 1%-3% discount, based on the length of rental tenure. The applicant indicates that these discounted prices, coupled with low mortgage rates, would allow tenants to have mortgage payments that would be less than their current rental payments (see page 4 of Appendix A).

The applicant's tenant relocation plan (Appendix A) notes that some owners may choose to continue renting their units while others may wish to occupy their units. However, a new owner wishing to occupy their unit could evict their tenant by giving them two months notice, as required by the Residential Tenancy Act.

Managing Director of Social Development Comments:

Recommendation A

The Managing Director of Social Development is not prepared to support the proposed conversion of 19 rental units to strata units at 5487 Cecil Street.

The strata conversion application for 5487 Cecil Street was submitted on December 10, 2008 and the Council report drafted for the May 21, 2009 Council meeting recommended refusal of the application because of Council's policy to protect existing rental housing noting the lack of rental housing in southeast Vancouver. The applicant asked the report be withdrawn before the Council meeting. The owners and their agent subsequently met with staff in June 2009 and again in October 2009 and presented mitigation options they hoped would result in supportable recommendation for the conversion of the 19 rental units to strata units. The applicant's letter is attached in Appendix A. In addition to the reduced purchase price being offered to existing tenants, the applicant is also offering a contribution of \$10,000 per unit (or \$190,000 in total) to the City's Affordable Housing Fund.

There are two previous strata conversion applications approved by Council which are relevant to this application, although there are differences.

On February 1, 2005, Council approved an application for strata title conversion of 34 residential units at 2226 West 12th Avenue. The building was occupied by residential tenants upon completion in 2003. Tenants were required to sign leases in which they essentially agreed to support a subsequent strata conversion, if the owner chose to make an application at a later date. In July 2004, the building was sold to a company that intended to convert the building to strata title ownership (application made October 2004). The report recommended approval because:

- The building was new and the owner intended to stratified when it was built in 2003 (the rationale for why the owner did not stratify upon completion was to minimize property taxes and the cost of insurance); and,
- Rents were much higher than the average rents in Kitsilano.

Council approved a second application to stratify 2265 West Broadway (the Maquire Building) in July 2007. While the initial report recommended refusal of the application because of the very low vacancy rates in the City and in Kitsilano, Council directed staff to explore mitigation options. The owner presented options including a contribution to the City's Affordable Housing Fund, or rental restrictions for a limited number of years on all units, or various combinations. Council approved conversion to strata title ownership for 2265 West Broadway subject to a contribution of \$540,000 (or \$15,000/unit) to the City's Affordable Housing Fund. Since that time, Council has indicated its support of rental housing by initiating the Short Term Incentives for Rental Housing (STIR) program. It also directed staff to "undertake a comprehensive rental housing study and review of rate of change concepts and mechanisms with the goal of developing a comprehensive set of policies for the preservation, replacement, monitoring, of rental housing based on a thorough analysis and understanding of how the rental market works and its future."

This report recommends the application be refused for a number of reasons.

Council policy is to maintain and expand the existing rental stock. Rental housing is a critical component of Vancouver's housing stock - almost half (46%) of Vancouver's population live in renter households. In response to historically low vacancy rates, relatively high rents and the demolition of an increasing number of market rental buildings, City Council introduced stronger rate of change regulations to protect the rental stock in 2007. With respect to the Comprehensive Rental Housing Study, this work is currently underway with a report back to Council in 2010. The strategy will identify whether rented condominiums can fulfil the role of the purpose built rental housing stock with particular assessment of the stability and rent levels of privately rented condominiums. Until the rental housing study is completed and a comprehensive strategy is developed, the existing stock should be maintained.

The *Strata Property Act* requires that Council consider the priority of rental accommodation over privately owned housing in the area. The demand for rental accommodation has been strong in Vancouver due to the high cost of home ownership, the low unemployment rate and the recent climate of economic uncertainty. In terms of supply, the southeast Vancouver area has 400 condo units and no market rental projects under construction and/or in the development stream at the end of last year. The Canadian Mortgage and Housing Corporation's (CMHC) Housing Market Outlook (spring 2009) indicates that despite reduced construction costs, the economic viability of new rental construction is challenging and only about three per cent of all home starts were rental. Preliminary information from the comprehensive rental housing strategy tells us that little purpose built rental will be built without significant incentives. There is roughly a 15-25% gap between what it costs to build rental and what can be supported by rental revenues. In summary, land costs remain high and achievable rents are lower than ownership carrying costs, making the feasibility of new rental projects difficult.

In response to these challenges, in June 2009, Council also adopted the Short Term Incentives for Rental Housing (STIR) program to immediately increase the rental housing supply. STIR is a time limited (2.5 year) program that responds to the market rental shortage by providing incentives to encourage the development of new market rental housing. The STIR program is an opportunity to increase rental housing supply during the current economic downturn, while supporting the development industry to maintain jobs and invest in the City's economy. Approving the conversion of 19 rental units to strata units would have a negligible impact on the condo supply but would further reduce the area's rental stock.

Over the last decade, there have been relatively few strata conversion applications for buildings containing six or more previously occupied residential units. Council did approve the conversion of 2226 West 12th Avenue (2005) and the 2665 West Broadway “The Maguire” (2007), but both buildings were newer construction and the strata conversion applications were submitted within 3 years of occupancy. 5487 Cecil Street has been providing rental accommodation since its completion in 1997. Approving this application could signal that Council is willing to approve loss of purpose built rental housing stock such as this, which is newer and can more easily be brought up to today’s building code requirements. This could precipitate a rush of applications from similar aged rental buildings, which represent about 6% of the City’s rental stock and over 3,300 units.

Finally, the applicant’s proposed contribution of \$10,000 per unit (or \$190,000 in total) to the City’s Affordable Housing Fund is not adequate. Not only is this amount smaller than what was approved for the Maguire (\$15,000 per unit), but the total proposed contribution of \$190,000 would not provide sufficient mitigation to replace the lost 19 rental units, as the cost to construct even a much smaller 380 square foot wood frame unit ranges between \$140,000 and \$200,000.

Based on the current housing situation, the Managing Director of Social Development recommends that the strata title conversion application for 5487 Cecil Street be refused.

Consideration B

Home ownership in Vancouver is difficult to attain for many individuals and families. As part of the STIR initiative, Council also indicated an interest in measures that could be taken to support affordable home ownership. This policy work has not yet been initiated. However, consideration B in this report is being put forward as it does promote affordable home ownership. Based on market comparables, the discounted purchase price being offered to tenants is roughly 30% below the market value of similar units (in size and age) sold in the area (and as indicated in Appendix A, the tenants are being offered an additional 1%-3% discount depending on their length of tenure). Coupled with current low mortgage rates, this provides tenants with a unique opportunity to enter into the housing market. However, this discount would only apply to the first sale. Subsequent sales would presumably be at market price. The owners have included written commitments from 11 of the 19 tenants indicating they are willing to purchase their units if and when the strata application is approved.

Should Recommendation B be approved, it is important that it not signal to the market that applications would be approved if a contribution of \$10,000 per unit is made to the City’s Affordable Housing Fund and tenants are provided with the first right of refusal on discounted purchase prices. Each application is considered on a case by case basis. Council may consider allowing the conversion of these 19 units for two reasons. First, 5487 Cecil is a smaller building and allowing the loss of these 19 rental units would not have a significant impact on the rental housing stock. Second, the bulk of the rental housing stock, built before 1970, would likely not be affected by this decision, as conversion is constrained by the significant cost of bringing these buildings up to required building code standards. Third, the tenants are being offered their units at prices significantly below market and it is unlikely that future applications would provide a similar incentive.

These factors are important to consider when balancing the need to protect the existing stock or approving the loss of 19 units to provide tenants with an opportunity for first time home ownership.

FINANCIAL IMPLICATIONS

Financial implications are included in the comments from the Managing Director of Social Development above (with regard to Consideration Item B).

SOCIAL IMPLICATIONS

Social implications are included in the comments from the Managing Director of Social Development above.

CONCLUSION

The Subdivision Approving Officer concurs with the Managing Director of Social Development and recommends refusal of this application. On balance, it is important to follow Council's policy regarding the preservation of existing rental housing, particularly noting Council's recent efforts to enhance the rental housing stock. In addition, a recommendation for refusal is supported by the detrimental effect the removal of the subject 19 residential units from that stock would have, the presumption that this would be a one-time benefit for the initial purchasers, and the potential for an approval to set a precedent for other similar conversions.

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October 8, 2009

Jill Davidson
Assistant Director of Housing Policy
City of Vancouver
310-East Tower
555 West 12th Avenue
Vancouver, B.C.
V5Y 1V4

RE: Strata Conversion of 5487 Cecil Street

Dear Ms. Davidson:

We would like to thank you for taking the time to meet with us regarding the proposed strata conversion of 19 residential units at 5487 Cecil Street. As per our last meeting the owners of 5487 Cecil Street would like to make the following offer to the City for the conversion of 5487 Cecil Street to strata:

Incentive Program / Opportunity

The owners have devised an innovative purchase incentive program that has been offered to the existing tenants (see attached chart). The incentive program would provide the tenants with an opportunity to buy their current unit at a substantial discount. This discount coupled with current low mortgage rates would allow tenants to have mortgage payments that would be less than their current rent payments. This approach would create an opportunity for those who could not previously afford to own a home in Vancouver the chance to do so. As you are aware, we have written support for the conversion from 18 of the 19 occupants residing in the building (with the 19th being undecided). The owners have also received written commitments from 11 of the 19 residents willing to purchase units if and when the strata conversion is successful. The signed contracts are enclosed for your reference. Those not wishing to purchase a unit will be provided with relocation incentives as outlined in the attached Relocation Plan.

Vacancy Rates

We acknowledge that current rental vacancy rates are low, however, recent surveys indicate that the vacancy rate in Vancouver is expected to increase from 0.5% in 2008 to 1.2 % in 2009 (see CMHC report attached) and will continue to increase after 2010.

Influx of Rental Units

The owner is requesting to convert a nominal number of units to strata. There is expected to be an influx of rental units coming to the market therefore, the owner feel that the conversion of only 19 units will not detrimentally affect the overall rental housing stock. The increase in rental housing stock is expected for the following reasons:

- the uncertain economy has caused many people to move away or move back home;
- the current economic downturn has forced many investment condo buyers to rent their units rather than sell them at a loss;



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2009

- the City has many housing initiatives that will increase the rental housing stock such as secondary suites, basement suites, and laneway suites; and
- when the Olympics have concluded many rental units are expected to be released to the market, including some of the Olympic Village units.

Strata Conversion Proposal

The owners of 5487 Cecil Street would like to offer the City the following proposal for the conversion of the 19 rental units to strata units.

The owners would pay the City \$10,000 per residential unit towards the City's Housing Fund. This equates to \$190,000 that could be used towards much needed housing initiatives. They would also provide the current residence the right of first refusal and a very strong purchase incentive if the strata conversion is successful (a copy of the Incentives offered has been enclosed for your reference). Based upon market comparables in the immediate neighbourhood these incentives equate to the equivalent average saving of \$50,000 / unit. In total this results in an approximate cash incentive of \$60,000 per unit. Over half of the current residents have committed to purchasing a unit if and when they become available. We have enclosed their Letter of Intent as part of this package.

Summary

The owner is requesting the conversion of a nominal number of rental units to strata. The owners are offering the current residents an innovative approach to allow them to purchase their units for payments less than their current rent. We would like to emphasize that the conversion of a nominal numbers of units would provide the occupants the opportunity of a lifelong dream to own a home in the City of Vancouver. The majority of the current occupants are supportive of a conversion. The owners of the building do not anticipate that the conversion of 19 units will negatively impact the overall rental stock since vacancy rates in Vancouver are expected to rise and an influx of rental stock is anticipated in the near future.

We appreciate your consideration on this matter and look forward to your response.
Please do not hesitate to call me if you have any further questions or comments.

Yours truly,

Laurie Schmidt, Principal
Brook + Associates Inc.
604-731-9053 ext. 106
lschmidt@brookdev.com

Management Fees

For a typical strata building of this size and layout residents could expect to pay a managing fee ranging from \$125.00 to \$175.00 per month.

Relocation Plan

Existing tenants living in 5487 Cecil Street will be given three options as part of the strata conversion.

Option One:

Make arrangements with the new strata lot purchaser to continue renting the suite. Please note that your rent cannot be increased until 12 months have expired following the previous rent increase.

Option Two:

You may decide to move out. If you decide to move out the owner will provide you with three months notice. If you decide to vacate after two months they will give you a bonus of one month's rent.

Option Three:

As a tenant of 5487 Cecil Street you will be given the first opportunity to purchase your suite. A list of suite prices is enclosed in this package. As a further incentive they will offer you a discount; the amount is dependent on how long you have been a resident. Residents who have lived at 5487 Cecil Street for:

- 0-6 Months: 1 %
- 6 Months - 1 Year: 1 %
- 1 Year - 2 Years: 2 %
- 2 Years+ : 3 %

Purchase Price of Individual Units

Location	Unit #	Type	Bath rooms	Levels	Area (Sq. Ft.)	Purchase Price	Monthly Payment with 5% Down Payment	Monthly Payment with 25% Down Payment	Monthly Strata Fee	Monthly Cost Range with Strata Fee	Current Rent per Month
BLDG S 2nd Floor	1	2 BR	1	1	852	247,080	885	698	145	\$843-\$1,030	\$1,200
	2	2 BR	1	1	819	237,510					
	3	1 BR	1	1	620	179,800					
	4	1 BR	1	1	716	207,640					
BLDG N 2nd & 3rd Floors	5	2 BR	1.5	2	817	236,930	1139	899	145	\$1,044-\$1,284	\$1,525
	6	2 BR	1.5	2	770	223,300					
	7	2 BR	1.5	2	784	227,360					
	8	2 BR	1.5	2	784	227,360					
	9	2 BR	1.5	2	798	231,420					
	10	2 BR	1.5	2	802	232,580					
	11	Studio	1	1	349	101,210	1308	1033	145	\$1,178-\$1,453	\$1,700
	12	2 BR + Den	2	2	917	265,930					
	21	1 BR + Den	1	2	756	219,240					
BLDG S 3rd & 4th Floors	22	1 BR + Den	1	2	689	199,810	983	776	145	\$921-\$1,128	\$1,250
	23	1 BR + Den	1	2	695	201,550					
	24	1 BR + Den	1	2	689	199,810					
	25	1 BR + Den	1	2	690	200,100					
	26	1 BR + Den	1	2	690	200,100					
	27	1 BR + Den	1	2	906	262,740					

Selling Price Based on \$290 sq. ft.

CONTRACT OF PURCHASE AND SALE

BETWEEN:

0809698 BC Ltd. (the "Seller")

AND:

RANOHIR S. DHALIWAL
(the "Buyer")

One of eleven
contracts of
purchase and sale
received by the
applicant

BACKGROUND:

- A. The Seller is the registered owner of lands and premises with the following legal description:

5487 Cecil Street, Vancouver BC
BLOCK 30 PLAN LMP 33497 DISTRICT LOT 37
NEW WESTMINSTER PARCEL A

(the "Property");

- B. The Seller intends to strata title the Property into 19 strata lots as set out on the proposed strata plan attached as Schedule "A" (the "Proposed Strata Plan");
- C. The Purchaser wishes to purchase and the Seller wishes to sell strata lot 5 outlined on the attached Schedule "A" on the Proposed Strata Plan (the "Strata Lot") on the terms set out in this Contract.

THE PARTIES AGREE AS FOLLOWS:

1) **PURCHASE PRICE**

The purchase price of the Strata Lot will be \$ 236,930
(the "Purchase Price") excluding Federal Goods and Services Tax

("GST").

2) **DEPOSIT**

The deposits shall be paid as follows:

- (a) A non-refundable deposit of \$__1__ which will form part of the Purchase Price, will be paid to the Vendor concurrently with execution of this Contract.

The Deposit will form part of the Purchase Price and be applied equally to the purchase of the Strata Lot. If the Buyer fails to pay the Deposit as required by this Contract, the Seller May, at the Seller's option, terminate this Contract.

1. **CONDITIONS**

The Purchaser's obligation to complete is subject to the Purchaser being able to arrange financing satisfactory to the Purchaser on or before April 30, 2010. This condition is for the sole benefit of and may be waived by the Purchaser at any time.

The Vendor's and Purchaser's obligation to complete is subject to the Property being strata titled on or before April 30, 2010.

Each condition, if so indicated, is for the sole benefit of the party indicated. Unless each condition is waived or declared fulfilled by written notice given by the benefitting party to the other party on or before the date specified for each condition, this Contract will be terminated thereupon and the Deposit returnable in accordance with the *Real Estate Act*.

2. **COMPLETION**

The completion date (the "Completion Date") for the sale and purchase of the Strata Lot will be the date which is 60 days from removal of the subject conditions referred to in paragraph 3.

3. **ADJUSTMENTS**

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The Purchaser will assume and pay all taxes, rates, local improvement assessments, fuel, utilities and other charges from, and including, the Completion Date for the purchase of the Strata Lot ("Adjustment Date").

4. CLOSING PROCEDURE

- 6.1 On the Completion Date the parties will execute and deliver all documents, transfers, mortgages and other documents and carry out and fulfil such other acts and do such other things as are reasonably necessary or prudent to complete the sale of the Strata Lot on the terms set out herein.
- 6.2 Without limitation to the foregoing, the Seller will execute and deliver registrable Form A Transfers to the Strata Lot which, upon payment by the Buyer of the balance of the adjusted Purchase Price in trust with the Seller's solicitor, will be tendered for registration in the New Westminster Land Title Office. Upon receipt by the Seller's lawyers of a post-index title search which discloses that the Buyer will in the normal course of Land Title practice become the registered owner of the Strata Lot free from all liens, charges and encumbrances, save and except the Permitted Encumbrances, as hereinafter defined, the Seller's lawyers will cause the monies held in trust to be released to the Seller.
- 6.3 The Buyer will be entitled to have possession of the Strata Lot on the Completion Date, after the Purchase Price has been released by the Seller's lawyers.
- 6.4 The Buyer acknowledges that title to the Strata Lot will, on the Completion Date, be subject to a mortgage and assignment of rents (the "Security"). Accordingly the Seller, while still required to clear the Security from title to the Strata Lot, may wait to pay and discharge the Security until after receipt of the adjusted Purchase Price, but in this event, the Buyer may pay the Purchase Price to the Seller's lawyers in trust, on the undertaking

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to pay and discharge the Security from the Strata Lot and remit the balance, if any, to the Seller forthwith upon the release of the Purchase Price in accordance with Section 6.2.

6.5 If the Buyer is relying upon a new mortgage to finance the Purchase Price, the Buyer, while still required to pay the Purchase Price on the Completion Date, may wait to pay the Purchase Price to the Seller until after the transfer and new mortgage documents have been lodged for registration in the New Westminster Land Title Office, but only if, before such lodging, the Buyer has:

- (a) made available for tender to the Seller that portion of the Purchase Price not secured by the new mortgage;
- (b) fulfilled all the new mortgagee's conditions for funding except lodging the mortgage for registration; and
- (c) made available to the Seller, a lawyer's or notary's undertaking to pay the Purchase Price upon the lodging of the transfer to the Strata Lot and new mortgage documents,

provided that nothing contained in this paragraph will reduce or limit in any way the obligation to pay the Purchase Price to the Seller on the Completion Date.

6.6 The Buyer will pay for the preparation and registration of closing documents and arrange to have them delivered to the Seller's lawyers at least five business days before the Completion Date.

6.7 The Purchaser Price does not include GST. On the Completion Date, the Buyer will pay to the Seller, as agent for Her Majesty the Queen in Right of Canada, in addition to the Purchase Price, the amount of GST eligible in respect of the transactions contemplated in this Contract or, if the Purchaser is registered for GST purposes on the

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Completion Date, the Buyer may self-assess the GST and account directly to Revenue Canada, Excise therefore if the Buyer provides the Seller with a certificate signed by an officer of the Buyer confirming the Buyer's registration number and the Buyer's registered status.

6.8 The Seller will bear all costs of clearing title.

5. **TITLE**

7.1 On the Completion Date, title to the Strata Lot is expected to be subject to the following encumbrances:

(a) those rights of way, statutory covenants, statutory and utility easements and rights of way required to be registered against title to the Strata Lot (including, if applicable any such which are referred to above) as a condition of the completion of the strata titling of the Property; and

(b) The provisos, conditions and limitations set out in the original or any subsequent Grant from the Crown and the statutory limitations and provisions set out in Section 23(1)(b), (c) and (f) of the Land Title Act,

(the "Permitted Encumbrances").

7.2 At this time the exact nature, form and content of the instruments which will be registered against title to the Strata Lot and which will restrict use of the Strata Lot has not been finally determined. The Buyer agrees to take title to the Strata Lot subject to the foregoing and subject to any other restrictions on use which may be required as a condition of the final approval of the strata plan by the relevant government authorities. Building permits will not be available until after the Strata Lot are created, all on and off site work is substantially complete and all relevant instruments referred to above are in place.

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6. SELLER'S OBLIGATIONS

The Seller will ensure that all material and all the work necessary to install those utilities and services required to be installed pursuant to the terms of the servicing agreement entered into between the Seller and the City are completed, provided that the Seller will not be responsible or liable in any manner for delays in completion, or failure to complete the furnishing of any materials or the doing of any work provided for in this clause due to shortage of material or labour, strikes or any other cause beyond the control of the Seller.

7. RISK

The Strata Lot will be and remain at the risk of the Seller until 12:01 a.m. on the Completion Date. After that time, the Strata Lot will be at the risk of the Purchaser.

8. ACCEPTANCE IRREVOCABLE

The Seller and Buyer specifically confirm that this Contract is executed under seal. It is agreed and understood that the Seller's acceptance is irrevocable until after the date specified for the Buyer to either:

- (a) fulfill or waive the terms and conditions herein contained;
or
- (b) exercise any option(s) herein contained.

9. GENERAL

11.1 Time will be of the essence hereof and unless the Purchase Price is paid in accordance with the terms of this Contract the seller may, at its option, cancel this Contract and in such event all monies previously paid by the Buyer together with accrued interest will be absolutely forfeited to the Seller on account of liquidated damages, without prejudice to the Seller's other remedies.

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11.2 This Contract will ensure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

11.3 The Seller is a resident of Canada as defined by the Income Tax Act and the Excise Tax Act.

11.4 It is understood and agreed that there are no other representations, warranties, guarantees, promises or agreements between the parties hereto in relation to the Strata Lot other than those contained in this Contract.

11.5 Any notice, direction or request required or contemplated by any provision of this Contract will be in writing and will be given by delivery or completed facsimile transmission to either party at addresses provided on the first page of this Contract.

11.6 Any tender of documents or money under this Contract may be made upon the solicitor acting for the party upon whom tender is desired and it will be sufficient that a bank draft or negotiable certified cheque is tendered instead of cash.

11.7 In this Contract, any reference to a party includes that party's heirs, executors, administrators, successors and assigns; singular includes plural and masculine includes feminine.

11.8 There are no representations, warranties, guarantees, promises or agreements other than those set out in this Contract, all of which will survive the completion of the sale.

10. **AGENCY DISCLOSURE**

The Seller and Buyer acknowledge having received and read the brochure published by the British Columbia Real Estate Association entitled "Working with a Real Estate Agent" and

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acknowledge and confirm as follows:

- (a) The Buyer has an agency relationship with _____;
- (b) The Seller has an agency relationship with _____;
- (c) The Buyer and Seller have consented to a limited dual agency relationship with _____ and _____ having signed a limited dual agency agreement dated _____.

11. ACKNOWLEDGMENT

The Buyer is aware that the Seller is associated directly or indirectly with a licensee under the Real Estate Act as a shareholder, director, officer, partner or family member.

12. OFFER

This offer, or counter offer, will be open for acceptance until 12 o'clock p.m. on Oct. 05, 2009 and upon acceptance of the offer, or the counter offer, by accepting in writing and notifying the other party of such acceptance there shall be a binding Contract of Purchase and Sale on the terms and conditions set forth.

(Witness)

Randhir S. Dharwal

- 13. ACCEPTANCE:** The Seller (a) hereby accepts the above offer and agrees to complete the sale upon the terms and conditions set out above, (b) agrees to pay a commission as per the Listing Contract, and (c) authorizes and instructs the Purchaser and anyone acting on behalf of the Purchaser or Seller to pay the commission out of the cash proceeds of sale and forward copies of the Vendor's Statement of Adjustments to the Cooperating/Listing Agent, as requested,

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forthwith after completion.

Seller's acceptance is dated: Oct 05/2009

By its Authorized Signatory:

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