

MEMORANDUM OF UNDERSTANDING

October 25, 2018

Among City of Vancouver (the "City"), One West Holdings Ltd. ("OWH"), Concord NMH Limited Partnership ("NMH LP") - (NMH LP and OWH are collectively called "Concord") - and British Columbia Housing Management Commission ("BC Housing") for the ownership, rezoning and development of six non-market housing sites, as shown on the diagram attached hereto as Schedule "A" (the "Option Sites"), located on the lands situate in False Creek North commonly known as "Concord Pacific Place" (the "CPP Lands"). The Option Sites are owned by Concord, subject to registered options to purchase in favour of the City (the "Option Agreements").

The purpose of this Memorandum of Understanding (this "MOU") is to confirm the basic business terms and conditions upon which the City, Concord and BC Housing intend to proceed with discussions for the ownership, rezoning and development and use of the Option Sites. While this MOU does not create legally binding rights or obligations, the parties wish to confirm their respective intentions to work together in a cooperative and collaborative manner to pursue with appropriate due diligence and timeliness, and the arrangements contemplated herein.

Each of the parties acknowledges that:

- (i) all rights and obligations of BC Housing will be subject to approvals by the Executive Committee and the Board of Commissioners of BC Housing and the provincial ministry responsible for it, as required;
- (ii) final arrangements flowing from this MOU will be further subject to review and approval by the Ministries of Finance and Forests, Lands, Natural Resource Operations and Rural Development, in relation to existing land mortgage and public participation rights, and the Soils Agreement (hereinafter defined), in relation to the Option Sites;
- (iii) final arrangements flowing from this MOU will be further subject to review and approval by other provincial ministries and agencies such as Ministry of Children and Family Development or Ministry of Health regarding necessary program funding or supports outside of BC Housing's mandate;
- (iv) nothing in this MOU shall fetter the discretion of BC Housing or the Province of British Columbia (through its ministries), including in determining the amount and timing of any provincial funding or other participation; and
- (v) all rights and obligations of the City will be subject to approvals by the Council for the City ("Council"), and without limiting the foregoing nothing herein shall fetter the public process or the discretion of Council with respect to the exercise or performance of any of its regulatory powers or functions.

1.0 BACKGROUND & DESCRIPTION

Through the course of implementing the False Creek North Official Development Plan ("FCN ODP") by way of CD-1 rezonings of the CPP Lands, twelve sites within the CPP Lands were allocated for affordable housing. To date, five sites have been developed with affordable housing, and one site was converted to market housing in return for a payment-in-lieu from OWH to the City. Delivery of non-market housing on the

remaining six sites, being the Option Sites, has continued to be a critical priority for the City; however, development of the Option Sites has been impeded by the cancellation of senior level government funding programs and other economic factors. The current government environment has re-opened opportunities for development of the Option Sites, and the parties are aligned in their desire to move forward in a timely manner to deliver non-market housing on some of the Option Sites within the context of a new deal which preserves the intent of the original Option Agreements while maximizing the development potential of the Option Sites.

2.0 OWNERSHIP & REZONING

2.1 Option Sites 3, 4 and 5 - City Sites

Concord will transfer fee simple and beneficial interest in Option Sites 3, 4 and 5 as shown on Schedule "A", (collectively, the "**City Sites**") to the City, free and clear of all encumbrances and contingent liabilities (including environmental remediation costs), save and except those expressly accepted by the City. Concurrently with the transfer of the City Sites, OWH will assign to the City all of OWH's rights under the Soils Agreement between Concord Pacific Developments Ltd. (now, OWH) and the Province of British Columbia (the "**Province**") dated May 11, 1988, as amended (collectively, the "**Soils Agreement**") with respect to the City Sites. The City will need to be satisfied that it will not be responsible for any environmental remediation costs in connection with the development of the City Sites, including in respect of any contamination that may have been introduced onto the City Sites after May 11, 1988 and that would not be included in the Province's remediation obligations under the Soils Agreement. BC Housing is not a party to the Soils Agreement and it will be for the City and Concord in conjunction with the Province to resolve the City's requirements in relation to the environmental remediation costs. The purchase price payable by the City to Concord for the City Sites will equal the aggregate of the "**Option Price**" set out in the respective Option Agreements for the City Sites, which for greater certainty is \$53/BSF (and for the purposes of this MOU, "**BSF**" will be calculated in accordance with, and have the meaning in the respective and applicable CD-1 bylaws as such bylaws exist at the time the City Sites are conveyed by Concord to the City), subject to further consideration by the City of any value attributable to waiving or modifying the Option Agreements in respect of the City Sites (collectively, the "**Option Price**"). Concord will retain no residual rights or interests in respect of the City Sites, including in respect of the selection of the Sponsor under the Option Agreements or construction of the Projects (hereinafter defined) on the City Sites.

2.2 Option Sites 1, 2 and 6 - Concord Sites

Concurrently with the transfer of the City Sites to the City, Concord will make a "payment-in-lieu" to the City in return for the City releasing Concord from all of its obligations under the Option Agreements in respect of Option Sites 1, 2 and 6 (collectively, the "**Concord Sites**"), including the delivery by the City of registrable releases (collectively, the "**City Releases**") of the Option Agreements in respect of the Concord Sites, including without limitation the registered options to purchase and related Section 215 or Section 219 covenants of which the City is the sole chargeholder, as well as the related Down-Zoning Agreements. The "payment-in-lieu" will be negotiated between Concord and the City.

The City's payment to Concord of the Option Price for the City Sites will be offset against the "payment-in-lieu" payable by Concord to the City in respect of the Concord Sites, such that only one cheque (the "**Net Closing Funds**") will be deliverable by Concord to the City in order to complete both transactions.

2.3 Transaction Documents

Concord and the City will work to settle the necessary legal documentation (the "**Legal Agreements**") to give effect to the transactions contemplated herein by the applicable critical path date set out below. In the interest of efficiency and expediency, the Legal Agreements will be in the form of modifications/addenda/notices of exercise/terminations of the Option Agreements and will affirm the provisions of the Option Agreements that (i) remain applicable and (ii) are no longer applicable, and set out such other terms as the parties agree will govern the closing of the transactions such as timing, and unwinding should rezoning enactment not be achieved within a mutually agreeable period of time following the date on which the City Sites are conveyed by Concord to the City.

The Option Sites are subject to the "Future Public Participation" funding obligation of Concord Pacific Developments Ltd. (now, OWH) (the "**FPP Liability**"), as confirmed at Section 11 of the Purchase Agreement dated as of April 25, 1988, as amended by the Purchase and Sale Amending Agreement dated as of May 11, 1988 between British Columbia Enterprise Corporation (now, the Province as represented by the Ministry of Finance) and OWH. OWH is and will remain responsible for any and all payments due to the Province (as represented by the Ministry of Finance) in respect of the FPP Liability in relation to the Option Sites.

Concord and the City will settle on an unwinding protocol that will be activated in circumstances where the enactment by Council of the proposed amendments to the existing CD-1 zoning by-laws applicable to the Option Sites (as contemplated by this MOU) does not occur within a specified period of time following the transfer of the City Sites by Concord to the City. Such unwinding protocol is to be set out in the Legal Agreements and, in principle, will be facilitated by Concord's solicitors, Stikeman Elliott LLP ("**SE**"), providing undertakings to the City to hold the Net Closing Funds, the City Releases and registrable Form A transfers (from the City back to Concord in respect of the City Sites) in trust, pending the enactment by Council of the proposed amendments to the existing CD-1 zoning by-laws applicable to the Option Sites (as contemplated by this MOU).

2.4 Rezoning

Following the execution of the Legal Agreements, the City's Director of Planning or BC Housing, as may be determined, will initiate a rezoning application for the Option Sites, which is in progress through the necessary City approvals and public process (targeting consideration by Council in 2019) as a combined zoning amendment package.

Sites 4 and 5 of the City Sites will be proposed to be rezoned to maximize non-market density and, together with Option Site 3, achieve a commensurate increase in units

beyond the 598 units prescribed in the FCN ODP and the associated CD-1 zoning by-laws. Commercial and non-residential uses could also be considered.

In respect of residential uses on the City Sites, the City will seek to achieve the following:

- mixed income affordable rental housing projects with a level of affordability that is in line with BC Housing's primary funding programs;
- opportunities to deepen affordability through BC Housing's funding programs such as those for women fleeing violence, Indigenous people and supportive housing addressing homelessness;
- will target at least 50% of the social housing units to be suitable for families with children (i.e. 2 and 3 bedroom units) with a target of 20% of units having 3 bedrooms or more; and
- opportunities for increasing density to increase the amount of social housing beyond the 598 units of social housing prescribed by the FCN ODP and the associated CD-1 zoning by-laws to accommodate the 20% non-market housing requirement triggered by the conversion of the Concord Sites discussed below.

The Concord Sites will be proposed to be converted to market residential with no increase in residential floor area over that in the FCN ODP and the associated CD-1 zoning by-laws. Commercial and non-residential uses may be considered. The new 20% non-market housing requirement arising as a result of the conversion of the density on the Concord Sites will be accommodated on the City Sites and this intended outcome will not affect the non-market housing requirement applicable to the rezoning of Concord's Area 6C site. No community amenity contribution ("CAC") will be payable by Concord on the conversion of non-market to market residential in respect of the Concord Sites; however, CACs will be payable upon any future rezonings of the Concord Sites in accordance with usual City practices, and such future rezonings for any additional market density will be subject to the City's 20% non-market housing requirement.

3.0 BC HOUSING'S ROLE

Following the enactment by Council of the proposed amendments to the existing CD-1 zoning by-laws applicable to the Option Sites (as contemplated by this MOU), the City, as owner of the City Sites, will make any necessary arrangements to grant BC Housing authority to act as the development manager for the affordable housing projects (the "Projects") on the City Sites.

Subject to provincial funding and other approvals described in the introduction to this MOU, BC Housing may provide one or more of capital grants, equity contributions, low-cost financing for the design and development of the Projects, and operating subsidies to achieve the desired level of affordability as agreed to by the City and BC Housing.

The City will make every effort to include these Projects in the SHORT program for expedited development approvals processing.

As the City establishes the new Vancouver Affordable Housing Endowment Fund, it provides an opportunity to manage the City's affordable housing projects as a

portfolio. The City and BC Housing will seek to take advantage of the potential benefits of a portfolio approach through optimizing and balancing the scale and depth of affordability, cross-subsidization and economies of scale. The City and BC Housing will also explore alternative models to operate and maintain the Projects, which may include, but not be limited to, establishing a shared service model and portfolio property management to maximize operational efficiencies resulting in savings on operating and maintenance costs that could go towards enhancing affordability.

Subject to provincial funding and other approvals described in the introduction to this MOU, BC Housing's responsibilities will specifically include the following:

- assuming timely and expedited regulatory approvals from the City, obtaining provisional project approval and providing a timeline to build out the non-market housing on the City Sites prior to the public hearing for the rezoning of the City Option Sites;
- providing one or more of capital grants, equity contributions or low cost construction financing for development of the Projects for the City Sites, subject to site specific designs, unit mixes, development schedules, energy performance requirements, access to approved provincial borrowing, capital and operating grant funding under current BC Housing funding programs, and approved rental rates;
- partnering with the City to select the non-market housing operators (each, a "Society") to collectively design, develop and operate each of the City Sites;
- subject to available provincial government appropriations and BC Housing Executive approvals, providing preliminary development funds to assist with pre-development costs associated with site surveys, environmental and geotechnical investigations, architectural design, other consultant expenses, permit/rezoning application fees, and related costs to bring each Project to a construction ready state;
- providing assistance to the non-profit operators in applying for capital and operating funding, where applicable, under BC Housing's available suite of affordable housing programs to ensure the gross monthly rental charges available to cover operating costs and debt service for financing do not exceed the targeted "Household Income Mix" as agreed to by the City and BC Housing;
- providing expertise in drafting the required legal documentation including ground leases, operating agreements, housing agreements, Section 219 covenants and CCDC construction contracts required by BC Housing and the City; and
- providing assistance with securing long-term CMHC insured take-out financing for the non-profit operators at competitive rates.

BC Housing will be responsible for obtaining all necessary approvals and permits related to the Projects, which will include securing development permits, building permits and occupancy permits.

BC Housing will not be responsible for any site remediation costs. The City Sites will be subject to the involvement of the Pacific Place Remediation Group ("PPRG"), and as the City will take an assignment of certain directly-related rights under the Soils Agreement from OWH as part of its acquisition of the City Sites, the City (and BC Housing as developer of the Projects) will have the right to engage with PPRG and the

Province regarding the remediation of the Option Sites, all in accordance with the terms of the Soils Agreement.

A ground lease (a "Lease") for each of the City Sites will be executable following rezoning enactment. The term of each Lease is to be for a length of 60 years or longer at a nominal ground rent (i.e. \$1.00, acknowledged to be received by the City) as agreed to by the City and BC Housing, subject to Council approval. BC Housing's affiliate, Provincial Rental Housing Corporation, may be used as the head lessee for the purposes of the Projects. The Leases will require BC Housing (or the Society on BC Housing's behalf) to maintain and repair the Projects, and pay all utilities, insurance, fees and taxes, including property taxes or rent in lieu of property taxes (unless the Project qualifies for Class 3 Supportive Housing designation where its assessed value will be reduced to a nominal value), associated with the Projects. BC Housing will be responsible for the ongoing monitoring and compliance of the operators to ensure that the terms of the Leases, any BC Housing operating/operator agreement(s) and any sub-lease, leasehold strata reciprocal operating easements, and/or funding agreements are satisfied. The Leases shall outline the reporting requirements, surplus sharing and other key terms and conditions as agreed to by the City, BC Housing and the Society. Affordability levels will be generally set out at Public Hearing and ultimately secured in the Leases to be registered on title to the City Sites, and/or the operating agreements with the operator(s) as agreed by the City and BC Housing.

4.0 COMMUNICATION PLAN

The City and BC Housing will co-lead the creation and implementation of a Communication Plan by the critical path date stipulated below. BC Housing and the City will also coordinate communications plans with the responsible Provincial ministries and agencies. Until such plan is implemented, no party will make any announcements or public statements concerning the matters contemplated by this MOU without the concurrence of the other parties. It is the parties' mutual intention to make a joint public announcement.

5.0 NEXT STEPS

The parties acknowledge the importance of the Projects in addressing affordable housing and homelessness. As such, the parties agree to work expeditiously to establish land transfer, rezoning, development and Project delivery timelines (which may be revised as the matters contemplated in this MOU progress), and the parties acknowledge that although these dates are non-binding, each will nonetheless endeavour to meet them, subject to the limitations listed in the introduction to this MOU.

Critical path dates:

Final MOU agreed	October 25, 2018
Communication Plan agreed	October 25-30, 2018
Provincial confirmation re: soils remediation obligations	Q1, 2019
Legal Agreements settled	Q1, 2019
Rezoning Application (including funding committed from BC Housing	Q1, 2019
Public Hearing & Council Decision	Q3, 2019
Concord transfers City Sites to City	Q3, 2019
BC Housing funding for the build out and operation of the affordable housing on the City Sites is settled and secured	Q3, 2019
Rezoning Bylaw Enactment	Q3, 2019

[the remainder of this page is intentionally left blank]

6.0 TERMINATION OF MOU

This MOU is not legally binding and does not create any legal obligations for any party unless and until binding legal agreements are entered into by the parties. The parties acknowledge that if any component of this MOU is not viable, this MOU will automatically terminate.

25th day of October, 2018.

CITY OF VANCOUVER
by its authorized signatory:


Signature

SADHU JOHNSTON, CITY MANAGER
Name and Title

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSON
By its authorized signatory:


Signature

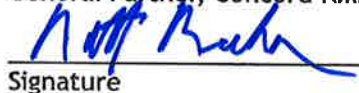
Shayne Ramsay, Chief Executive Officer
Name and Title

One West Holdings Ltd.
by its authorized signatory:


Signature

Matt Meehan, SVP
Name and Title

Concord NMH Limited Partnership, by its
General Partner, Concord NMH GP Ltd.:


Signature

Matt Meehan, SVP
Name and Title

SCHEDULE "A"

