CITY OF VANCOUVER

COUNCIL REPORT

Report Date:	July 14, 2026
Contact:	Ryan Bigelow
Contact No.:	604.673.8151
RTS No.:	18557
VanRIMS No.:	08-2000-20
Meeting Date:	July 28, 2026

Submit comments to Council

TO: Vancouver City Council

FROM: Armin Amrolia, Deputy City Manager

SUBJECT: Short-Term Below Market Lease and Grant to Northern Way Housing Co-operative at 675 East 5th Avenue

Recommendations

A. THAT Council direct the Director of Real Estate Services, on behalf of the City, to negotiate and execute a short-term lease agreement with two options to extend for a one-year period each (the "Short-Term Lease Agreement") with Northern Way Housing Co-operative for the City-owned property located at 675 East 5th Avenue legally described as: PID: 009-402-799, Lot A, Block 93, District Lot 264A, Plan 10548 together with all buildings and improvements situated thereon (collectively, the "Current Premises") in accordance with the terms outlined in Appendix A, the terms set out in the Co-op Lease Methodology (defined below) and/or as otherwise approved by the Deputy City Manager, the Director of Finance and the Director of Legal Services.

B. THAT Council authorize the Director of Real Estate Services to amend the original Lease of the Current Premises with Northern Way Co-op, registered at the Land Title Office under registration number M44795, as amended by lease modifications under registration number M82736 (collectively, the "Original Lease"), which has been in overhold since June 1, 2024, by amending the overhold rent since June 1, 2024 to the commencement of the Short-Term Lease Agreement (the "Overholding Period") to below-market rent based on the Co-op Lease Methodology.

C. THAT no legal rights or obligations shall arise or be created by Council's adoption of Recommendation A and B unless and until all legal documentation has been executed and delivered by the respective parties.

For the purposes of this Report, the rent under the Short-Term Lease Agreement for its initial term and any subsequent extension periods (per the two options to extend for a one-year period each) and the rent under the Original Lease for the Overholding Period will be below the applicable market rates. Therefore, Recommendations A and B constitute grants valued at the estimated amounts listed in Appendix A, requiring a 2/3 vote of Council pursuant to Section 206(1) of the *Vancouver Charter*.

Purpose and Executive Summary

The City entered into the Original Lease, a 40-year ground lease with Northern Way Co-op on June 1, 1984. The 4-storey building is comprised of 60 co-op homes located in the City's Mount Pleasant area at 675 East 5th Avenue.

The Current Premises leased to Northern Way Co-op has significant redevelopment potential to create additional affordable homes. A short-term lease agreement will provide Northern Way Co-op a leasehold interest at below market rates to provide affordable housing to its members while Staff further explore and plan redevelopment of the Current Premises with the Co-op.

The Short-Term Lease Agreement will align with the Redevelopment Option Framework of the Methodology for Co-operative Housing Lease Renewals (RTS 13783) approved by Council in 2021 (the "Co-op Lease Methodology"). Key terms of the Short-Term Lease Agreement are included in Appendix A.

Council Authority/Previous Decisions

- In November 2017, Council approved the Housing Vancouver Strategy (2018–2027) The strategy includes policies to retain and renew existing social, non-market, and co-op housing, while identifying opportunities to increase social and co-op housing supply through redevelopment, and secondly, to work with partners in regional and senior government on opportunities to support reinvestment in private market rental and renewal in existing social, co-op, and SRO housing.

- On July 8, 2021, Council approved the Methodology for Co-operative Housing Lease Renewals (RTS 13783), which approved certain policies that are intended to guide or provide a framework for the negotiation of co-op lease renewals. The Co-op Lease Methodology includes the Redevelopment Option Framework and sets out the terms under which land rent and other terms (i.e. length of term, redevelopment option etc.) relating to the renewals of leases with co-ops would be governed.

- On June 22, 2022, Council approved the Broadway Plan, with policies prioritizing the renewal and expansion of existing non-market housing to meet current and future needs.

The City Manager concurs with the foregoing recommendations.

Context and Background

The City entered into the Original Lease with Northern Way Co-op on June 1, 1984, which expired on May 31, 2024. Both parties agreed to enter into overholding since June 1, 2024.

To address the housing crisis and prioritize affordability, it is critical that the City optimizes the use of public land in a way that maximizes social benefit to Vancouver residents. This includes redevelopment of sites currently leased to co-ops to increase affordable housing supply while preserving affordability for existing low and moderate households.

Recent land use changes have created significant opportunities for increased density on these sites through redevelopment, including the Current Property. The redevelopment potential of this site presents an opportunity to significantly increase affordable rental housing supply in the Broadway Plan area. Staff continue to explore and plan the redevelopment of the Current Property with the Co-op.

Discussion

The Co-op Lease Methodology establishes an approach for the calculation of below market land rent for short- and long-term co-op lease renewals. The land rent calculation is based on the level of affordability provided by the Co-op, and a transition grant, for up to 10 years, may be provided to ease the impact of land rent on the Co-op's budget.

If approved, staff will proceed to negotiate and execute the Short-Term Lease Agreement with Northern Way Co-op with a 5 year term with two one-year options to extend and amend the overhold rent under the Original Lease.

Appendix A outlines the key terms and conditions of the Short-Term Lease Agreement. Basic Rent will be determined in accordance with the Co-op Lease Methodology and will be calculated annually as outlined in Appendix A.

During the Short-Term Lease Agreement period, staff will continue to explore and plan the redevelopment of the site with Northern Way Co-op and report back to Council.

<u>Membership Profile - RGI and Non-RGI Units</u>

In accordance with the Co-op Lease Methodology, the Short-Term Lease Agreement with Northern Way Co-op is intended to be below market where land rent is primarily determined by the number of non-Rent Geared to Income ("Non-RGI") and Rent Geared to Income ("RGI") member households as defined below.

Household Type	Definition
Non-RGI member households	Lower of a 15% discount to Canada Mortgage and Housing Corporation ("CMHC") average neighborhood area rents or 25% of median Vancouver renter incomes (Non-RGI Benchmark Rent)
RGI member households	30% of the average income of RGI Units below the lower of HILs/Non-RGI Benchmark Rent and to be no lower than Income Assistance Rates

For Northern Way Co-op, 22 units (37%) are occupied by households that meet the RGI criteria and land rent will be set based on household income for these units. The remaining 38 units (63%) will have land rent based on the Non-RGI definition. The distribution of RGI and Non-RGI units is summarized below.

Figure 1: Summary of RGI and Non-RGI Units

Unit type	Unit count	RGI units		Non-RGI units	
		Count	% of units	Count	% of units
1 BR	15	11	73%	4	27%
2 BR	25	6	24%	19	76%
3+ BR	20	5	25%	15	75%
Overall	**60**	**22**	**37%**	**38**	**63%**

Membership Profile – Income Profile

Summarized below is the current income profile for the Co-op, with the average annual income by bedroom type for RGI and non-RGI households.

Figure 2: Average Incomes of RGI and Non-RGI Units

Unit type	Unit count	RGI units		Non-RGI units	
		Count	Average income	Count	Average income
1 BR	15	11	$30,701	4	$86,585
2 BR	25	6	$55,002	19	$139,314
3+ BR	20	5	$50,830	15	$154,502
Overall	**60**	**22**	**$41,903**	**38**	**$139,759**

Estimated Land Rent and Transition Grant

Basic Rent starting in the Overholding Period of the Original Lease and continuing into the Short-Term Lease Agreement will be determined in accordance with the Co-op Lease Methodology and will be calculated annually as outlined in Appendix A.

After operating, capital and vacancy deductions described in the ground rent formula in Appendix A, indicative Annual Rent for Year 1 amounts to an unadjusted land rent total of $567,772 as broken down below. Rent Revenue is the sum of land rent calculated for all RGI and Non-RGI units in the Co-op.

Figure 3: Estimated Year 1 Annual Rent

	Total $	$ per unit per month
Rent revenue	$**1,229,150**	**$1,707**
Senior Gov't Subsidy	$150,083	$208
Vacancy deduction	($12,292)	($17)
Opex deduction	($351,913)	($488)
Capex deduction	($448,037)	($622)
Unadjusted Land Lease Rent	**$566,992**	**$788**

Recommendation B, as proposed, will also amend the ground lease rent during the Overholding Period of the Original Lease (from June 1, 2024 to when the Short-Term Lease Agreement commences) based on Co-op Lease Methodology, which includes the transition grant.

The adjusted calculation of land rent for the Co-op's Lease incorporates a transition grant for up to the first 10 years following the expiry date of the Original Lease. The Co-op Lease Methodology includes a Transition Grant that helps to slow the pace of housing charge increases. While Northern Way Co-op's Non-RGI households can afford increased housing charges to contribute to lease rent, the time-limited Transition Grant helps limit the pace of any increase which may destabilize the mixed income community and cross subsidization.

Staff recommend a Transition Grant for the full 5 year term for the Short-Term Lease Agreement and extension options as well as the Overholding Period in the Original Lease, as shown in the following schedule. The total Transition Grant is estimated at $2,740,651.

Figure 4: Estimated Transition Grant

Period	Year	Est. land rent, before grant ($)	Est. Transition grant		Est. land rent, after grant	
			%	$	$ Total	$ per unit per month
OH 1	June 2024 - May 2025	$545,456	95%	$518,183	$27,273	$38
OH 2	June 2025 - May 2026	$556,081	90%	$500,473	$55,608	$77
OH 3 (partial)	June 2026 – Sep 2026	$246,268	85.4%	$210,354	$35,914	$109
Yr 1	Oct 2026 – Sep 2027	$566,992	80%	$453,593	$113,398	$158
Yr 2	Oct 2027 – Sep 2028	$552,401	70%	$386,681	$165,720	$231
Yr 3	Oct 2028 – Sep 2029	$438,015	60%	$262,809	$175,206	$244
Yr 4	Oct 2029 – Sep 2030	$448,965	50%	$224,483	$224,483	$312
Yr 5	Oct 2030 – Sep 2031	$460,189	40%	$184,076	$276,114	$384
Total		**$3,814,367**		**$2,740,651**	**$1,073,716**	

**In Year 2, the Co-op's operating subsidy agreement with CMHC reaches term. If this agreement is not extended, more of the City's land rent will go towards subsidizing RGI member households.*

Income for all Northern Way Co-op members, RGI and Non-RGI, will be confirmed and calculated before entering into the Short-Term Lease Agreement.

Building Condition and Capital Maintenance

Northern Way Co-op will be responsible for maintaining the building at the Current Premises in accordance with the terms of the Short-Term Lease Agreement.

Co-op Board Approval of Key Terms

On June 10, 2026, the Northern Way Co-op Board approved the endorsement of the key terms for the Short-Term Lease. Following Council's approval of the recommendations, staff and Northern Way Co-op will work towards finalizing the Short-Term Lease Agreement for execution.

Financial Implications

Consistent with Council policies, all affordable housing projects are expected to be self-sustaining over the long-term where rents are set at levels that will cover mortgage payments, operating costs and capital replacement, and do not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City.

Assuming the proposed short-term lease agreement reflected market rates, the estimated market value for a 5-year term would be $4,920,754.

Under the Co-op Lease Methodology, the forecasted land rent before Transition Grant is $2,466,562 for the 5 tear term (excluding overholding rent). The unadjusted forecasted rent for the Overholding Period would be $1,347,805.

After adjusting for the Transition Grant, the forecasted land rent is estimated at $954,921 for the 5 year term, and the land rent is $118,795 for the Overholding Period. The Transition Grant totals $2,740,651.

The below-market Short-Term Lease Agreement and Overholding Period constitute a grant and approval requires eight affirmative votes of Council, per Section 206(1) of the Vancouver Charter.

The Co-op has pre-existing debt of approximately $609,238 (as of March 1, 2026). The City has agreed to permit the Co-op to secure another mortgage against this lease to pay the debt off during the 5-year term.

Legal Implications

No legal rights or obligations shall arise or be created by Council's adoption of Recommendation A unless and until all legal documentation has been executed and delivered by the respective parties.

Recommendation A constitute a grant and require at least 8 affirmative votes of Council, per Section 206(1) of the Vancouver Charter.

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APPENDIX A

NORTHERN WAY CO-OP
KEY TERMS OF SHORT-TERM LEASE AGREEMENT

Landlord:	City of Vancouver
Tenant:	Northern Way Housing Co-operative
Original Lease:	Lease registered with the Land Title Office against the Current Premises on May 31, 1984 under registration number M44795 as modified by M82736 registered on October 4, 1984. Commencement date: June 1, 1984 Expiry Date: May 31, 2024
Current Premises:	675 East 5th Avenue Those lands legally described as: 1. Lot A Block 93, District Lot 264A Plan 10548 2. Lots 1 to 12 Block 93 District Lot 264A Plans 468 and 1771 together with all buildings and improvements situated thereon.
Future Premises:	Future Premises means premises off-site from the Current Premises to temporarily or permanently relocate the Tenant if the Landlord were to redevelop the Current Premises.
Term:	The term of the Short-Term Lease Agreement will commence on October 1, 2026 (the "**Commencement Date**") and will be for a period of 5 years (the "**Term**").
Options to Extend if no Future Premises:	If the Landlord provides notice 6 months prior to the expiration of the Term the Future Premises will not be available at the end of the Term, the Tenant will have two options to extend the Lease for a further period of one year each, exercisable upon notice at least 4 months but not more than 6 months prior to the expiration of the Term. If the Future Premises are not available for the Tenant's occupation at the expiry of the Term, as extended by the foregoing options to extend, the Tenant may hold over with the written consent of the Landlord on a month to month basis and will pay rent in accordance with Schedule A, prorated to a monthly basis.
Surrender and Early Termination of the Short-Term Lease Agreement:	The Landlord intends to redevelop the Current Premises either during or following the Term. During the Term, with appropriate notice, the Tenant will allow access to the Current Premises by the Landlord to conduct all necessary site due diligence related to the future redevelopment (e.g. environmental and HBM testing) and post any required signage (e.g. rezoning and development permit notifications) on the Current Premises.

<table>
<tr><td></td><td>At the end of the Term, the Tenant will surrender and deliver up vacant possession of the Current Premises and will leave it in a sanitary, neat, tidy, safe and empty condition free from all nuisance, debris, and rubbish and will ensure that the Current Premises are to the standard of repair required of the Tenant pursuant to the Short-Term Lease.

If the Landlord and the Tenant wish to relocate the Current Premises to the Future Premises during the Term, the parties may mutually agree to terminate the Short-Term Lease.</td></tr>
<tr><td>Basic Rent</td><td>Assuming the following initial unit mix and affordability profile outlined in the table below, indicative annualized Basic Rent will amount to approximately $113,398 in the first year of the Term (excluding Transition Grants, as defined in Schedule A) when determined in accordance with Schedule A.

Basic Rent for the Overholding Period will amount to approximately $120,680 for June 1, 2024 to the Commencement Date.

This Basic Rent is subject to further change based on the target “Rent Geared to Income” units (“RGI Units”), updates to CMHC area rents, Median Vancouver Renter Income statistics, and income testing determined with the Tenant

<table>
<tr><th></th><th>1br</th><th>2br</th><th>3br</th><th>4br</th></tr>
<tr><td>Number of units</td><td>15</td><td>25</td><td>19</td><td>1</td></tr>
<tr><td>Number of RGI Units</td><td>11</td><td>6</td><td>5</td><td>0</td></tr>
<tr><td>Average Income of RGI Units</td><td>30,701</td><td>$ 55,002</td><td>$ 50,830</td><td>-</td></tr>
</table>

Basic Rent for the Term will be set annually and is payable monthly starting on the Commencement Date.

The Tenant should strive to ensure its unit mix represents the Housing Vancouver Strategy of equity and diversity.</td></tr>
<tr><td>Taxes:</td><td>The Tenant will pay, directly to the taxing authority, all property taxes in respect of the Current Premises.

The Tenant will pay, every tax and permit and licence fee (including penalties and interest) in respect of any business carried on in the Current Premises or in respect of the use or occupancy of the Current Premises by the Tenant or its members.</td></tr>
<tr><td>Utilities:</td><td>The Tenant will be responsible for charges for utilities and services including heat, electricity, gas, water, waste and recycling collection, telephone, cable and internet, used by the Tenant during the Term.</td></tr>
<tr><td>Permitted Use:</td><td>The Tenant will use the Current Premises only for the purpose of providing residential housing to its members in accordance with the terms and</td></tr>
</table>

	conditions of the Short-Term Lease Agreement, unless otherwise approved by the Landlord in its sole discretion.
Assignment and Subleasing:	The Tenant may not assign its interest in the Short-Term Lease Agreement without the Landlord's consent, which may be arbitrarily withheld.
Maintenance and Repairs:	The Landlord will not be obliged to furnish any services or facilities or to make repairs, replacements or alterations in or to the Current Premises, and the Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Current Premises and all expenses related thereto. The Tenant will operate, manage and maintain the Current Premises or will cause the Current Premises to be operated, managed and maintained in a good, efficient and businesslike manner and will properly and adequately supervise the Current Premises, will supply or cause to be supplied all necessary building services to the occupants thereof, will impose and enforce rules and regulations relating to the use and occupancy of the Current Premises, and will generally manage the Current Premises as would a prudent owner pursuant to the terms of the Lease. During the Term, the Tenant, at the Tenant's sole cost and expense, will: (a) maintain the Current Premises in a sanitary, neat, tidy and safe condition and free from nuisance at all times; (b) put and keep in good order and condition, or cause to be put and kept in good order and condition, the Current Premises (and any fixtures and equipment located thereon and therein) as a reasonable and prudent owner of similar premises would, both inside and outside, including structural elements, fixtures, walls, foundations, roofs, vaults, stairways, elevators (if any) and similar devices, heating and air conditioning equipment, sidewalks, landscaping and other like areas, water and sewer mains and connections, water, steam, gas and electric pipes and conduits, and all other fixtures and appurtenances to the Current Premises and machinery and equipment used or required in the operation thereof, whether or not enumerated herein; (c) in the same manner and to the same extent as a reasonable and prudent owner of similar premises would, make any and all necessary repairs, replacements and alterations, whether ordinary or extraordinary, foreseen or unforeseen, structural or otherwise, to keep the Current Premises (including any and all fixtures, fittings, appliances and equipment thereon and therein) safe and fully usable for the purposes for which they are intended and to keep same in good repair. All repairs, replacements and alterations will be the property of the Landlord, subject to the Tenant's leasehold interest therein, and all such repairs, replacements and alterations will be in all respects to a standard at least substantially equal in quality of material and workmanship to that of the building as of the Commencement Date, and will in each case be performed only in

	accordance with all applicable terms and conditions of the permitted encumbrances defined in the Lease; (d) not cause or suffer nor permit any waste, damage or injury to the Current Premises or any part thereof; (e) make all reasonable efforts in its operation, maintenance, repair, replacement and alterations of the Current Premises to improve environmental performance; and The Landlord will make reasonable efforts to coordinate with the Tenant to settle an outstanding maintenance and interim capital maintenance plan that will apply during the Term (“**Short-Term Capital Maintenance Plan**”), and the Tenant will cooperate reasonably to settle such Short-Term Capital Maintenance Plan. The Short-Term Capital Maintenance Plan will (a) reflect outstanding maintenance that is required to be completed during the Term to ensure the Current Premises are in good order and condition as at the Commencement Date of the Term pursuant to the terms of the Lease (“**Outstanding Maintenance**”), and (b) recognize that the capital expenditures made by the Tenant reflect the period of time remaining before the parties intend for the Tenant to relocate to the Relocation Premises and the Landlord redevelops the Current Premises as well as maintaining the building to an appropriate and safe condition in line with the maintenance and repair requirements for the Term (“**Interim Maintenance**”).
Capital Maintenance Reserve:	The Tenant will contribute to a Capital Maintenance Reserve (separate from any pre-existing reserves held by the Tenant) over the Term to fully fund the Short-Term Capital Maintenance Plan. The Tenant will be responsible for funding the Capital Maintenance Reserve to address all Outstanding Maintenance included in the Short-Term Capital Maintenance Plan without any deduction in Basic Rent (i.e. the Tenant will utilize pre-existing reserves or increases in Non-RGI housing charges to fund Outstanding Maintenance). For Interim Maintenance included in the Short-Term Capital Maintenance Plan, at a minimum, the Tenant will make contributions to the Capital Maintenance Reserve equivalent to the Benchmark CAPEX described in Schedule A (defined below as the Minimum Capital Contributions). The Tenant will be responsible for funding any additional Interim Maintenance if the Interim Maintenance requirements in the Short-Term Capital Maintenance Plan are greater than the Minimum Capital Contributions in a given year. Any additional contributions made by the Tenant will be recognized towards the Minimum Capital Contributions in the following year. In the final year of the Term, the Tenant will be responsible for funding any additional Interim Maintenance without any further deduction in Basic Rent.

	The Landlord reserves its rights to use of the funds in the Capital Maintenance Reserve if the Outstanding Maintenance and Interim Maintenance requirements of the Short-Term Capital Maintenance Plan have not been met at the end of the Term or at the end of any overholding period agreed between the Landlord and Tenant whichever is later. If the Landlord and Tenant execute a lease for the Relocation Premises, any remaining funds in the Capital Maintenance Reserve will be used to satisfy any outstanding financial encumbrances of the Tenant encumbering the Lease or the Current Premises pre-approved by the Landlord, and the remainder will be surrendered to the Landlord. If redevelopment of the site does not proceed and the Landlord and Tenant enter into another lease for the Current Premises, the Tenant will retain remaining funds in the Capital Maintenance Reserve.
Minimum Capital Contributions:	At a minimum the Tenant will make contributions to the Capital Maintenance Reserve equivalent to the Benchmark CAPEX defined in Schedule A (“**Minimum Capital Contributions**”).
Government Subsidy Programs:	During the Term, the Tenant will promptly: (a) apply in good faith for any Senior Government Subsidy (as defined in Schedule B) for which it might qualify including, without limitation, as may be identified by the Landlord; (b) keep the Landlord reasonably informed as to the status of any application made for a Senior Government Subsidy; and (c) disclose to the Landlord all information as may be reasonably required by the Landlord in respect of any Senior Government Subsidy which the Tenant receives, including the amount, the date(s) of receipt and any agreement setting out the terms of any such payment(s).
Existing Debt	Within 6 months of the Commencement Date, the Tenant will provide the Landlord with a plan to extinguish existing debt within the Term.
Mortgaging:	The Landlord acknowledges the Tenant has existing debt secured against the Original Lease which may be secured against its interest in the Short-Term Lease Agreement subject to the Landlord and Tenant agreeing to a plan to extinguish the debt at the end of the Term (**“Interim Debt Management Plan”**). The Tenant will not secure any additional debt against its interest in the Short-Term Lease Agreement and Current Premises without the Landlord’s approval, which may be arbitrarily withheld.
Recording Keeping and Financial Management:	No later than 90 days prior to each anniversary of the Lease Commencement Date (for RGI Units) and no later than the Lease Commencement Date and thereafter 90 days prior to each fifth anniversary of the Lease Commencement Date (for non-RGI Units), the Tenant will submit to the Landlord a written statement showing the amount of Income earned by Members occupying RGI Units and non-RGI Units, respectively, in the preceding calendar year. Concurrently with its delivery of the foregoing statement, the Tenant will arrange for an independent third party to certify in writing that: (a) it has examined the “Net Income”

	line item as shown on the annual notices of assessment for each such Member as issued by CRA and such other information or documentation as it determined necessary to complete its examination, and (b) in its opinion, the foregoing statement presents accurately the Income earned by such Members in the preceding calendar year computed in accordance with the provisions of this Lease and generally accepted accounting principles, consistently applied. Within 12 months of the Commencement Date and upon replacement from time to time during the Term, provide to the Landlord: (a) the Tenant's member referral and selection policy as approved by the Tenant's members and enforced by the Tenant; and (b) the Tenant's unit occupancy and over/under housing guidelines/policies as approved by the Tenant's members and enforced by the Tenant, which the Tenant will make reasonable efforts to align with the National Occupancy Standard developed by CMHC. Annually provide to the Landlord (a) financial statements; (b) schedule of repairs/capital expenditures; (c) housing charge statistics (i.e., housing charges to all members); (d) occupancy statistics (i.e., vacancy and turn overs); and (e) operating budget and expense statistics (detail and summary operating expenses). Provide to the Landlord on the Commencement Date and every three years following or as otherwise approved by the Landlord: (f) a building condition report; and (g) asset management plans. Other Tenant reporting obligations to be detailed in the Short-Term Lease Agreement.
Insurance Requirements:	The Tenant will take out CGL insurance of not less than $10M per occurrence, all risk property insurance to the full replacement cost value of the building, business interruption (rental income) insurance in an amount equal to or greater than the Basic Rent payable for the relevant 12 month period, and insurance covering boilers, machinery and pressure vessels.
Tenant Default for RGI Unit Count or Reporting Deficiencies:	In addition to standard events of default to be listed in the Short-Term Lease Agreement, it will be an event of default for the Tenant if the number of members occupying RGI Units in the building and receiving income adjusted housing charges at a maximum of 30% of the member's household income is less than 15% of the total number of housing units in the building.
Lease Registration:	The Short-Term Lease Agreement, or a short form of the Short-Term Lease Agreement, may be registered at the Land Title Office at the sole cost of the Tenant including, without limitation, with respect to any property transfer tax payable.

SCHEDULE A

BASIC RENT

Definitions
a. **Allowable RTA Rate** – the historical maximum allowable annual rent increase set by the Province of British Columbia for residential tenancies for the given year. b. **Housing Income Limits (“HILs”)** – housing income limits by Unit Type for British Columbia established annually by BC Housing Management Commission or its successor in function. c. **Income Adjusted Housing Charge** –housing charges representing household income divided by 40 or, if receiving income assistance, the Income Assistance Rates. d. **Income Assistance Rates** – the maximum shelter allowance available to a Member household in receipt of income assistance such as BC Benefits or a replacement program. e. **Median Vancouver Renter Income Escalation Rate** – collectively, the change in median Vancouver renter income as census data is published and the Allowable RTA Rate between census periods. f. **Minimum RGI Units** – the number of RGI Units that meet the RGI Unit Eligibility Criteria agreed upon by the Landlord and the Tenant. g. **Non-RGI Benchmark Rent** – the lower of a 15% discount to CMHC average neighborhood area rents or 25% of median Vancouver renter incomes. h. **RGI Unit** – a housing unit in for which the monthly rent payable by the member in occupation of such unit is geared to the income of such member i. **RGI Unit Eligibility Criteria** – the maximum household Income level required to be eligible for monthly rent geared to income, being the lower of HILs and Non-RGI Benchmark Rent. j. **Senior Government Subsidy** – any funding received by the Tenant to subsidize housing costs for RGI Units, as made available to the Tenant through a funding program operated by CMHC or any government or other governmental agency during the Term. k. **Transition Grant** – deduction in rent intended to slow the pace of change in housing charges expected for Members occupying Non-RGI Units at the Commencement Date, calculated in accordance with the rent formula below.

RGI/Non-RGI Household Target
• Basic Rent will be reduced for member households that meet the RGI Unit Eligibility Criteria (RGI Units). The number of RGI Units must be agreed-upon at the beginning of the year (i.e., the Minimum RGI Units) and must be at least 15% of total units in the Current Premises. The Minimum RGI Units can be adjusted annually.

Basic Rent Calculation and Payment

- At the beginning of each year of the Term, (a) the Landlord will provide the Tenant with the RGI Unit Eligibility Criteria; (b) the Tenant and the Landlord will define the Minimum RGI Units, which will impact the calculation of Basic Rent; and (c) Basic Rent will be set annually by determining an indicative rent at the beginning of the year using the previous year's income for members occupying the Minimum RGI Units.
- Rent will be paid monthly in advance.
- If the Tenant has underpaid Basic Rent for the preceding year, then on or before the anniversary of the Lease Commencement Date the Tenant will pay to the Landlord the shortfall. If the Tenant has overpaid Basic Rent for the preceding year, then the Landlord will deduct such overpayment from the Basic Rent to be paid by the Tenant for the next-ensuing year.

Rent Formula:

Non-RGI Revenue
+ RGI Revenue
+ Sr. Government Subsidies
- Vacancy Deduction
- OPEX Deduction
<u>- CAPEX Deduction</u>
= Rent before Grant
<u>- Transition Grant</u>
<u>= Annual Net Rent</u>

Non-RGI Revenue

- Non-RGI Rent revenue = # of units x lower of:
  - 25% of Median Vancouver Renter Income (MVRI), and
  - 15% discount of CMHC average area rents (Downtown zone);
    - MVRI is adjusted when new census data is published and escalated between census periods.
    - CMHC area rents are published annually.
- Eligibility/income threshold:
  - Non-RGI Unit households must report income at the beginning of the Term
  - Should members occupying Non-RGI Units not provide income information, the Landlord reserves the right to determine land rent for these units at the prevailing market rates for the number of units with income information outstanding

RGI Revenue

- Rent revenue = # of eligible units x 30% of household income and not lower than the maximum shelter rate component of Income Assistance;

Eligibility/ income threshold:

- household income is at or below HILs; or
- 30% of annual household income is below Non-RGI rent rate; whichever is higher
- Should members occupying RGI Units be over-housed according to the Tenant's unit occupancy and over/under housing guidelines/policies, the Landlord reserves the right to determine land rent for these units at the Non-RGI unit rate.

Tenant Housing Charge Conditions:

- Housing charges set by Tenant for households in RGI Units must use best efforts to not exceed 30% of income
- RGI Unit households must report income at the beginning of the Term and be income tested (and adjusted) annually
- Landlord and Tenant sets number of RGI Units; minimum 15% RGI Units

OPEX Deduction
OPEX deduction of $488 PUPM in year 1 of the Term, escalated annually by rate of escalation of Non-RGI and RGI Revenue from the previous year

CAPEX Deduction
CAPEX deduction of $622 PUPM in year 1 of the Term, escalated annually by rate of escalation of Non-RGI and RGI Revenue from the previous year

Vacancy Deduction
Vacancy deduction of 1% of RGI Revenue and Non-RGI Revenue

Transition Grant
The Transition Grant is only available for a total of 10 years commencing on the expiry of the Original Lease and during the Term. The Transition Grant is not available to new co-op members of the Tenant after the commencement of the Term *as its purpose is to assist existing members with lease payments*. The Tenant's existing co-op members moving to different units leased to the Tenant are not considered new members. Rent Discount Formula: • Total Unadjusted Rent x Year Rent Discount % Year Rent Discount #: • Overholding Yr from Original Lease – 95% • Overholding Yr2 from Original Lease – 90% • Yr 1 of Term – 80% • Yr 2 of Term – 70% • Yr 3 of Term – 60% • Yr 4 of Term – 50% • Yr 5 of Term – 40% • An additional reduction of 10% from year 5 of the Term will be discounted for each year in any agreed upon extension periods. • Term & Eligibility: • Available only to existing members at commencement of the Term • Member must report income at beginning of the Term for unit to be eligible.

Senior Government Subsidy
Adjustment for senior government operating subsidy received by the Tenant Adjustment cannot exceed the difference in total rent between RGI and Non-RGI units