

## HIGHEST AND BEST USE

An accepted definition of highest and best use is “that reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”<sup>5</sup>

The highest and best use of a property is an economic concept that measures the interaction of four criteria: legal permissibility, physical possibility, financial feasibility and maximum profitability. Estimating the highest and best use of a property is a critical appraisal component that provides the valuation context within which market participants and appraisers select and analyze comparable market information.

An appraiser considers highest and best use of the property “as if vacant” separately from the highest and best use of the property “as improved.” This is because the highest and best use of the site, as if vacant and available for development determines the value of the land, even if the property's existing improvements may not represent the highest and best use of the site.

An accepted definition of the highest and best use of a land or site is “the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.”<sup>6</sup>

Zoning policies in place contemplate use of the property as FCCDD, False Creek Comprehensive Development District.

Changing the land use controls requires approval by municipal council of a rezoning. Given the nature of development in the area and the pattern of municipal land use policy, we consider the prospect of achieving a rezoning to another use as unlikely. Current city policy favours higher densities in the areas near the downtown core. Were the subject precinct to be redeveloped today, the Southeast False Creek policies suggest that the housing form would likely be mostly apartment in a low to mid-rise format, and density would be higher, in the order of 3.5 FSR. For

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<sup>5</sup> Canadian Uniform Standards, line 6640.

<sup>6</sup> IBID, line 6658

the purposes of this analysis, we have assumed that the existing use and density reflects the legally permissible level.

For the purposes of our analysis, we have assumed that the non-financial title limitations do not restrict use of the site beyond the restraints of the land use controls.

Market values and rents for residential properties in the neighbourhood are sufficient to retire the cost of construction, adequately compensate the developer and to provide a positive return to the underlying land.

The site size, utility servicing, exposure and topography generally suit the requirements of development. Based on the surrounding development pattern we have assumed that soil conditions could support development as contemplated under the land use controls without undue or costly site preparation.

Consequently, we conclude that highest and best use of the site, as if vacant and available, entails development pursuant to the applicable land use controls, and as market conditions permit. (For the purpose of this analysis, we have assumed that the existing use and development density is the maximum permitted on the property.)

The highest and best use of a property as improved is "multiple-family residential", the use that should be made of an improved property in light of the existing improvements and the ideal improvement described at the conclusion of the analysis of highest and best use as though vacant."<sup>7</sup>

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<sup>7</sup> Larry Dybvig, et al., *The Appraisal of Real Estate Second Canadian Edition* (A joint publication of the Appraisal Institute of Canada and the US Appraisal Institute; UBC Real Estate Division, 2002) 5.12-5.13

## VALUATION

### Introduction

Our mandate is to estimate the market rent of the subject site, for the purpose of setting rent for the next term in this long-term leasehold arrangement. We have assumed that the existing use and density are the maximum permitted on the site.

Market rent is interpreted to mean the most probable fixed annual minimum rent for the land determined in accordance with generally accepted appraisal principles and methods and having regard to the privileges and obligations contained in the lease. Lease agreements on multifamily residential lands such as the subject typically involve long lease terms, in the order of 50 to 99 years; periodic rent reviews and renewal options at market rent. Leases are most often written on a triple net or absolute net basis, with the lessee being responsible for all operating, maintenance and repair expenses as well as property taxes and insurance. Long-term land rent generally has a relationship to the underlying land value.

An appraiser may value land<sup>8</sup> that is vacant and available for development in various ways:

- 1) Direct comparison,
- 2) Extraction,
- 3) Allocation  
Income capitalization, divided into two direct capitalization techniques:
- 4) Land residual
- 5) Ground rent capitalization, and  
One yield capitalization technique:
- 6) Discounted cash flow analysis (subdivision development analysis)

Direct comparison relates current market activity to the site being valued. Extraction, a variety of abstraction, deducts the depreciated value of the buildings from a sale price to show vacant land value. Allocation, employed when comparable sales evidence is scarce, relies upon a typical land-value-to-property-value ratio. The direct capitalization techniques entail the capitalization of income from a single year of property operation. Land residual allocates net revenue from an improved property into its component parts of first, the building, with the residual to the land. Ground rent capitalization converts net lease payments into capital value.

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8 Appraisal of Real Estate, 2<sup>nd</sup> Canadian Edition, Appraisal Institute of Canada, Ottawa, 2002, chapter 13

The yield capitalization technique explicitly recognizes time-value-of-money considerations. Subdivision development applies to undeveloped acreage where a potential urban development represents the highest and best use of the land. The analyst considers cash flows over the construction and the marketing stages.

There is an established market for freehold land in the residential neighbourhoods surrounding False Creek. The City of Vancouver has a number of leasehold properties throughout the City, typically leased for multifamily development purposes. In the instance of the subject and a number of other local projects, these lands are held under arrangements whereby the rents are paid annually and periodically reviewed. Most projects, though, entail prepaid leases.

Two appraisal methodologies are commonly considered when examining annual land rent: the Direct Comparison method, in which rents on similar sites are analyzed and compared to the subject, and the Rate Times Value method, in which a rate of return is applied to the estimated land value.

Because property values are location specific and there is scant information on comparable non-prepaid multifamily land leases, we concluded that direct comparison would not provide a value indication that is meaningful and reliable. Our analysis therefore involves the Rate times Value method.



**Rate times Value**

In general, the reliability of this method depends on the availability of appropriate information on land values and ground rental conversion rates.

*Land Value*

We surveyed the Vancouver area for evidence of recent sales, listings or offers to purchase on properties that provide useful benchmarks of value for the subject property, emphasizing transactions that are recent sales. Important criteria include:

- Recent sales
- Settings near False Creek
- Similar parcel size
- Similar development potential (density and housing form)
- Similar density, measured in terms of FSR (the basis on which multifamily land trades in Vancouver)
- Similar relationship to the water and to water views.

Examples of land sales meeting one or more of these criteria follow:

**INDEX NO. 1 (Land)**

**Property Identification**

Address	600 - 636 West 6th Avenue (now 2201 Ash Street), Vancouver
Neighbourhood	Fairview
Legal Description	Lot 7, Except the south 10 feet and north 7 feet now highways, Lot 8, 9 and 10, Except the south 10 feet, Block 299, District Lot 526, Plan 590.
PID	015-194-981 et al
Reference	1410

**Land Data**

Lot Size	22,000 square feet, or 0.505 acres
Zoning	FM-1, Multiple Dwelling (Fairview S
Planned/Allowable Buildable Area	35,752
Planned/Allowable Units	35
Frontage	200ft (rounded) Along West 6th Avenue
Depth	110 ft.
Shape	Rectangular
Topography	Slight slope - south to north
Utilities	Full

**Sale Data**

Sale Date	<b>April 1, 2003 (Offer to Purchase)</b>
Sale Price	\$3,060,000
Vendor	517627 B.C. Ltd, Nicolas Santorelli, ASO
Purchaser	6A Holdings Ltd.
Property Rights	Fee Simple
Conditions of Sale	Sold through commercial broker

**Remarks**

Southwest corner of the 600 Block of West 6th Avenue and Ash Street, the site contains two old commercial buildings with little contributory value. The floor space ratio is based on a 24,000 square foot site, which is inclusive of 2,000 square feet of road dedications required by the City of Vancouver. Site benefits from city and mountain views over the south end of False Creek. Development plans have since been submitted to construct a 35-unit townhouse style development underground parking. Net building area is provided at 35,752 square feet. (FSR 1.49); including enclosed patio areas, saleable area is 36,815 square feet.

**Indicators**

Sale Price/Gross Acre	\$6,058,806
Sale Price/Gross SF	\$139.09
Sale Price/Unit	\$87,429

INDEX NO. 2 (Land)

**Property Identification**

Address	2386 Cornwall Street, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lot 2 Except West 5 Feet, Block 192, District Lot 526, Plan 848
PID	015-098-478
Reference	3196

**Land Data**

Lot Size	5,400 square feet, or 0.124 acres
Zoning	RM-4, Multiple Dwelling District
Planned/Allowable Buildable Area	7,760
Planned/Allowable Units	4
Frontage	45ft (rounded) along Cornwall Street
Depth	120 ft.
Shape	Rectangular

**Sale Data**

Sale Date	<b>July 1, 2003 (closed)</b>
Sale Price	\$975,000
Instrument Number	BV298506
Vendor	Juanita Vivian Harris & Oliver Anthony Kuys, ASOs
Purchaser	668398 B.C. Ltd. - Ken Wai, ASO
Property Rights	Fee simple
Financing	Demand debenture - MCAP Financial Corporation - \$2,813,713 at prime plus 1.0%

**Remarks**

A redevelopment site located on the south side of Cornwall Avenue, east of Balsam Street. The site was improved with an old revenue conversion, which was demolished to allow for a four-storey project with four full floor units and eight basement parking stalls. Proposed gross floor area of 7,760 square feet (1.44 FSR), and net saleable area of 6,795 square feet. Prime location across from park with unobstructed water views.

Sale Price/SF Buildable - \$125.64

Sale Price/Saleable SF - \$143.48

**Indicators**

Sale Price/Gross Acre	\$7,864,806
Sale Price/Gross SF	\$180.56
Sale Price/Unit	\$243,750

**INDEX NO. 3 (Land)****Property Identification**

Address	854 - 864 West 6th Avenue, Vancouver
Neighbourhood	Fairview
Legal Description	Lot A (Explanatory Plan 10422), Except the South 10 Feet now lane, Block 297, District Lot 526, Plan 590
PID	009-281-916
Reference	753

**Land Data**

Lot Size	21,981 square feet, or 0.505 acres
Zoning	FM-1, Fairview Multiple Family Residential
OCP Designation	Maximum 1.5 FSR
Planned/Allowable Buildable Area	35,970
Planned/Allowable Units	52
Frontage	200ft (rounded) along West 6th Avenue
Depth	110 ft.
Shape	Rectangular
Topography	Slopes down toward West 6th Avenue
Utilities	At lot line
Fencing	Wire

**Sale Data**

Sale Date	<b>September 2, 2003 (closed)</b>
Sale Price	\$2,600,000
Instrument Number	BV352650
Vendor	Carefree Coin-Op Leasing Ltd., McIver's Appliance Sales & Service Ltd. - Leslie and John McIver, ASO
Purchaser	Larc Developments Ltd. - Richard Bordewick and Ralph Carle, ASOs
Property Rights	Fee Simple
Conditions of Sale	Marketed on MLS
Financing	Three mortgages
Marketing Time	since 09/02

**Remarks**

A midblock development site located on the south side of West 6th Avenue, west of Willow Street, an old 14,200 square foot commercial building on site. A development permit was in place for a 52-unit, multiple-family residential building, including 3,822 square feet of commercial space; four stories, one and half floors of parking. Buildable potential to 35,970 calculated using the maximum 1.5 floor space ratio applied to the 23,980 square foot site area prior to a lane dedication. Listed since November 2002.

New Financing - MCAP Financial Corporation - \$6,660,000 with interest at Prime plus 1.50%  
Secondary Financing - Realtech Capital Group Inc. - \$1,600,000 with interest at 10.0% balance due and owing March 2005.  
Addition Financing - Demand Debenture - Realtech Capital Group Inc. - \$480,000

**Indicators**

Sale Price/Gross Acre	\$5,152,494
Sale Price/Gross SF	\$118.28
Sale Price/Unit	\$50,000

**INDEX NO. 4 (Land)**

**Property Identification**

Address	325 West 59th Avenue, Vancouver
Neighbourhood	Oakridge
Legal Description	Lot B, Block 1006, District Lot 526, Plan 9413
PID	009-658-408
Reference	2194

**Land Data**

Lot Size	61,350 square feet, or 1.408 acres
Zoning	CD-1, Comprehensive Development
OCP Designation	Maximum 1.0 FSR
Planned/Allowable Buildable Area	61,350
Planned/Allowable Units	43
Frontage	237ft (rounded) West 59th Street
Depth	258 ft.
Utilities	Full urban utilities

**Sale Data**

Sale Date	<b>April 1, 2004 (closed)</b>
Sale Price	\$5,500,000
Instrument Number	BW144686
Vendor	Southpines Homes Ltd.; Dan McDonald, ASO
Purchaser	Brenmore Development Corp. (Langara Development Corp.); Greg Morfitt, ASO
Property Rights	Fee simple
Financing	Construction financing, \$14,500,000, MCAP
Sale History	Listed in February 2003 for \$5,750,000

**Remarks**

Improved at the time of sale with an older vacant private hospital. Bounded by three streets - 58th Avenue to the north, 59th Avenue to the south and Columbia Street to the east; two blocks east of Cambie Street, south of Langara Golf Course in Vancouver. CD zoning allowed Special Needs Residential Family - containing a maximum of 80 beds. Amendment application (DE408258) filed in March 2004; Bylaw 8865 amended CD bylaw to allow a maximum 43 multiple dwelling units, 1.0 FSR, based on site area of 5,700 square meters or 61,350 square feet, maximum height of 12.8 meters or 42 feet.  
Price per buildable square foot: \$86.95 (at the maximum 1.0 FSR)

**Indicators**

Sale Price/Gross Acre	\$3,905,141
Sale Price/Gross SF	\$89.65
Sale Price/Unit	\$127,907



**INDEX NO. 5 (Land)**

**Property Identification**

Address	1803 Macdonald Street, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lot 5 (Reference Plan 1) of Lot 3, Block 26, District Lot 192, Plan 851
PID	015-093-948
Reference	3563

**Land Data**

Lot Size	15,569 square feet, or 0.357 acres
Zoning	RT-8, Two Family Dwelling
Planned/Allowable Buildable Area	11,677
Planned/Allowable Units	9
Frontage	78ft (rounded) along Macdonald Street
Depth	200 ft.
Shape	Rectangular
Utilities	Full urban utilities

**Sale Data**

Sale Date	<b>October 1, 2004 (closed)</b>
Sale Price	\$2,403,000
Instrument Number	BW474790
Vendor	Christine Yvonne Regehr
Purchaser	Dalt Holdings Ltd. - Donato De Cotiis, ASO
Property Rights	Fee simple
Financing	\$5,000,000 construction financing, First Commercial Bank - see BW474791

**Remarks**

A development site on the west side of Macdonald Street, north of West 3rd Avenue. The property was improved with an old house at the time of the sale. Nine-unit townhouse development proposed, maximum 11,677 square feet under the 0.75 FSR RT-8 zoning schedule.  
Sale Price/SF Buildable - \$205.79

**Indicators**

Sale Price/Gross Acre	\$6,723,183
Sale Price/Gross SF	\$154.35
Sale Price/Unit	\$267,000

**INDEX NO. 6 (Land)**

**Property Identification**

Address	2280 Cornwall Avenue, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lot E (P11512), Block 193, District Lot 526, Plan 848
PID	003-410-307
Reference	3348

**Land Data**

Lot Size	12,000 square feet, or 0.275 acres
Zoning	RM-4, Multiple Dwelling District
Planned/Allowable Buildable Area	17,400
Frontage	100ft (rounded)
Depth	120 ft.
Shape	Rectangular
Topography	Level to gently sloping
Utilities	Full urban utilities

**Sale Data**

Sale Date	<b>January 1, 2005 (closed April 2005)</b>
Sale Price	\$4,650,000
Instrument Number	BX431659
Vendor	Heung Wing Yeung
Purchaser	0719804 B.C. Ltd. - Les Sallay, ASO
Property Rights	Fee simple
Conditions of Sale	Sold through commercial broker

**Remarks**

A 32-year-old, three-storey, 24-unit apartment building with basement located on the south side of Cornwall Avenue, between Vine Street and Yew Street, across from Kitsilano Beach Park. The property sold at a 4.2% overall rate; value is primarily in the land.  
Sale Price/SF Buildable - \$267.24

**Indicators**

Sale Price/Gross Acre	\$16,879,628
Sale Price/Gross SF	\$387.50

**INDEX NO. 7 (Land)**

**Property Identification**

Address	1436-1466 West 14th Avenue (now 1468 West 14th Avenue), Vancouver
Neighbourhood	Fairview
Legal Description	See below
PID	014-666-278, 014-666-294, 014-666-502, 014-666-472 and 009-770-455
Reference	4129

**Land Data**

Lot Size	28,125 square feet, or 0.646 acres
Zoning	RM-3, Multiple Dwelling District
Planned/Allowable Buildable Area	40,781
Planned/Allowable Units	46
Frontage	225ft (rounded) along West 14th Avenue
Depth	125 ft.
Shape	Rectangular
Utilities	Full urban utilities

**Sale Data**

Sale Date	<b>January 1, 2005 to April 2005</b>
Sale Price	\$7,690,000
Instrument Number	BX432874
Vendor	Various
Purchaser	Polygon Group - Ralf Schmidtke and Robert Bruno, ASOs
Property Rights	Fee simple

**Remarks**

A three-lot assembly on the south side of West 14th Avenue, east of Granville Street. The properties were improved with three wood-frame apartment buildings. An application was submitted in March and June 2005 to allow for a 12-storey apartment development with 46 units.

Sale Price/SF Buildable - \$188.57

Lots 21, 22 and 23, Except Part in Explanatory Plan 3498, Block 451, District 526, Plan 1276

Lot A (Explanatory Plan 3498), Block 451, District Lot 526, Plan 1276

Amended Lot 25, Block 451, District Lot 526, Plan 1276

**Indicators**

Sale Price/Gross Acre	\$11,910,293
Sale Price/Gross SF	\$273.42
Sale Price/Unit	\$167,174

**INDEX NO. 8 (Land)**

**Property Identification**

Address	3837-3851 West 4th Avenue, Vancouver
Neighbourhood	Point Grey
Legal Description	Lots 39 to 41, Block C, District Lot 538, Plan 7743
PID	004-532-686, 004-532-694 and 010-543-813
Reference	4080

**Land Data**

Lot Size	17,815 square feet, or 0.409 acres
Zoning	RM-3A, Multiple Dwelling District
Planned/Allowable Buildable Area	25,832
Frontage	153ft (rounded) along West 4th Avenue
Depth	116 ft.
Shape	Rectangular

**Sale Data**

Sale Date	<b>May 1, 2005 (closed June &amp; July 2005)</b>
Sale Price	\$5,775,000
Instrument Number	BX552938/39
Vendor	602561 B.C. Ltd.; Chi Ying Ching & Lee Lai Yung
Purchaser	Toyu Point Grey Developments Ltd.; Fu Tian, ASO
Property Rights	Fee simple

**Remarks**

A three-lot redevelopment assembly located on the north side of West 4th Avenue, west of Highbury Street and east of Wallace Street. The properties were improved with three apartment buildings with a total of 32 units. The purchaser was planning to demolish the building and redevelop the site in the short to medium term. Maximum build out of 25,832 square feet at 1.45 FSR.

Sale Price/SF Buildable - \$223.56

**Indicators**

Sale Price/Gross Acre	\$14,120,495
Sale Price/Gross SF	\$324.17

**INDEX NO. 9 (Land)**

**Property Identification**

Address 1315, 1337 and 1345 West 11th Avenue, Vancouver  
Neighbourhood Fairview  
PID 006-493-467, 015-018-512, 012-237-841, 015-018-539, 012-237-833,  
015-018-58  
Reference 4251

**Land Data**

Lot Size 37,496 square feet, or 0.861 acres  
Zoning RM-3, Multiple Dwelling District  
Planned/Allowable Buildable Area 54,369  
Frontage 300ft (rounded) along West 11th Avenue  
Depth 125 ft.  
Shape Rectangular  
Topography Level  
Utilities Full urban

**Sale Data**

Sale Date **August 1, 2005 (closed)**  
Sale Price \$12,000,000  
Instrument Number BX185964/69  
Vendor Various  
Purchaser Polygon Development 179 Ltd.; John G.R. Third, Lawyer  
Property Rights Fee Simple

**Remarks**

An assembly on the northwest corner of West 11th Avenue and Birch Street, in Fairview. A high-rise development (see DE409253, BU432459), 12 stories, one and a half levels of underground parking will benefit from excellent views towards downtown Vancouver.

Prices as follows:

1337 West 11th Avenue (4,163 square feet) - \$791,162 or \$190 per square foot  
1315 West 11th Avenue (20,833 square feet) - \$6,963,652 or \$334 per square foot  
1345 West 11th Avenue (12,500 square feet) - \$4,245,188 or \$340 per square foot

Price per buildable square foot: \$220.71 (at the maximum 1.45 FSR)

Lot 11, Block 372, District Lot 526, Plan 991

Lot A of 13 and 14, Block 372, District Lot 526, Plan 3739

Lot 16 West Half, Lot 15, Block 372, District Lot 526, Plan 991

006-493-467, 015-018-512, 012-237-841, 015-018-539, 012-237-833, 015-018-580, 015-018-555 and 015-018-610

**Indicators**

Sale Price/Gross Acre \$13,940,682  
Sale Price/Unit \$320.03



**INDEX NO. 10 (Land)**

**Property Identification**

Address	2166 West 8th Avenue, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lots 3 to 5, Block 324, District Lot 526, Plan 590
PID	015-196-208, 015-196-224 and 015-196-232
Reference	4253

**Land Data**

Lot Size	17,250 square feet, or 0.396 acres
Zoning	RM-4, Multiple Dwelling District
Planned/Allowable Buildable Area	26,100
Planned/Allowable Units	18
Frontage	150ft (rounded) West 8th Avenue
Depth	125 ft.
Shape	Rectangular
Utilities	Full urban

**Sale Data**

Offer Date	<b>December 1, 2005 (offer)</b>
Offer Price	\$5,700,000
Vendor	Ming Wah Developments Inc.
Property Rights	Fee Simple
Sale History	Sold - June 1995 (closed) for \$3,140,000

**Remarks**

A multiple-family residential development site on the south side of West 8th Avenue, between Yew Street and Arbutus Street. At the time of the sale, the property was improved with a three-storey, wood frame apartment development constructed in 1966. The purchaser is proposing to demolish the existing improvements and construct 18 townhouses with a saleable area of 26,100 square feet and secured underground parking garage measuring 11,000 square feet. This proposed development reflects a floor space ratio of 1.51, based on the net site area of 17,250 square feet; gross site area prior to required dedications is 18,750 square feet. Price per buildable square foot \$218.39 (based on the saleable area)

**Indicators**

Sale Price/Gross Acre	\$14,393,576
Sale Price/Gross SF	\$330.43
Sale Price/Unit	\$316,667

**INDEX NO. 11 (Land)**

**Property Identification**

Address	415, 425 and 445 West 2nd Avenue; 340 West 1st Avenue, Vancouver
Neighbourhood	Fairview
Legal Description	See below
PID	010-957-553, 009-484-809, 003-998-487, 003-998-525, 003-998-657 & 003-998-6
Reference	3982

**Land Data**

Lot Size	67,812 square feet, or 1.557 acres
Zoning	C-3A, Commercial District
Planned/Allowable Buildable Area	240,054
Frontage	334ft (rounded) along West 2nd Avenue
Depth	264 ft.
Shape	Irregular
Topography	Level
Utilities	Full urban utilities

**Sale Data**

Offer Date	<b>December 1, 2005 (to Close June 2006))</b>
Offer Price	\$23,680,000
Vendor	Maynard's Industries Limited; City of Vancouver, PCI
Purchaser	Aquilini Investments Group
Property Rights	Fee simple
Sale History	Sold between May 1985 and June 1989 for \$2,675,000

**Remarks**

An eight-parcel assembly located on the northwest corner of Wylie Street and West 2nd Avenue. It involves three vendors - Maynard's sold the six lots along Wylie Street and Second Avenue, PCI Developments sold a single parcel in the northwest corner of the site, and the City of Vancouver sold an intervening lane way. 415 West 2nd is improved with a 31,510 square foot, three-storey building and a 10,210 square foot, 37-stall, paved parking lot. 425 West 2nd includes a 3,762 square foot, single storey commercial retail structure and 445 West 2nd is improved with a 15,836 square foot, masonry constructed, two-story building. The balance of the land is essentially unimproved. The C3A schedule allows a maximum of 3.0 FSR but the South East False Creek development area guidelines entail a density of 3.54 FSR, which has formed the basis of negotiations with the City of Vancouver. This site is exempt from the South special East False Creek development levies - anticipated to be between \$12 and \$26 per buildable square foot, presently proposed at \$14.50/BSF for area-specific development cost levies and \$11.50 for community amenity charges.

Lot A, Block 2, District Lot 302, Plan 6163  
Lot B, Block 2, Plan 12940  
Lots 7 to 9, Block 2, District Lot 302, Plan 5832  
Lots C & D, Block 2, District Lot 302, Plan 13533, Except Plan 17673x, 18232  
(and intervening laneway)

**Indicators**

Sale Price/Gross Acre	\$15,211,079
Sale Price/Unit	\$349.20

**INDEX NO. 12 (Land)**

**Property Identification**

Address	102-130 West 1st Avenue and 1703 Manitoba Street, Vancouver
Neighbourhood	Southeast False Creek
Legal Description	Amended Lot 8 (Explanatory Plan 4077), Block 10, District Lot 200A, Plan 197 and Lots 9 to 12, Block 10, District Lot 200A, Plan 197
PID	008-462-038, 003-132-978, 003-132-994, 003-133-001 and 003-133-036
Reference	4310

**Land Data**

Lot Size	30,274 square feet, or 0.695 acres
Zoning	M-2, Industrial
Planned/Allowable Buildable Area	105,959
Frontage	248ft (rounded) along West 1st Avenue

**Sale Data**

Sale Date	<b>December 1, 2005 (closed)</b>
Sale Price	\$9,750,000
Instrument Number	BX029719/23
Vendor	Winkler Holdings Ltd. - Joe and Hildegard Winkler, ASOs
Purchaser	0734570 BC Ltd. - Bruno Wall, Director
Property Rights	Fee simple

**Remarks**

A redevelopment site located at the southwest corner of West 1st Avenue and Manitoba Street, in South East False Creek. The site is improved with a storage and warehouse building of mixed construction with grade load doors and no yard area.  
Sale Price/SF Buildable - \$92.02 (based on a floor space ratio of 3.5)

**Indicators**

Sale Price/Gross Acre	\$14,028,777
Sale Price/Gross SF	\$322.06

**INDEX NO. 13 (Land)**

**Property Identification**

Address	6650 Arbutus Street, Vancouver
Neighbourhood	Kerrisdale
Legal Description	Lot A, Block 2 South, District Lot 526, Plan BCP20220
PID	026-448-513
Reference	4438

**Land Data**

Lot Size	55,800 square feet, or 1.281 acres
Zoning	CD-1, Comprehensive Dev. (Downtown)
OCP Designation	Maximum 0.83 FSR
Planned/Allowable Buildable Area	46,314
Planned/Allowable Units	28
Frontage	439ft (rounded) Arbutus
Shape	Triangular
Topography	Slopes
Utilities	Full urban utilities

**Sale Data**

Sale Date	<b>December 12, 2005 (closed)</b>
Sale Price	\$6,755,000
Instrument Number	BX299780
Vendor	PROVIDENCE HEALTH CARE SOCIETY; Carl Roy & Ray Barnard, ASOs
Purchaser	POLYGON BANNISTER MEWS HOMES LTD; Ralf Schmidtke & Robert Bruno, ASOs
Property Rights	Fee simple
Financing	Interest free VTB see BX299781, Reg'd 12/12/2005

**Remarks**

Southeast corner of Arbutus and West 49th Avenue in Kerrisdale, backing onto a presently unused CPR rail corridor. The site was occupied by a nursing home, since demolished. The CD-1 (447) zoning (effective November 23, 2005) allows a maximum of 28 multiple dwellings (21.9 UPA) and 0.83 FSR; 35 feet height limit. 2.5 storey townhouses to be built, project called "Bannister Mews." Two to eight units per building, size ranging from 1,448 to 1,917 square feet.  
Price per buildable square foot \$145.85 (at the maximum 0.83 FSR).

**Indicators**

Sale Price/Gross Acre	\$5,273,224
Sale Price/Gross SF	\$121.06
Sale Price/Unit	\$241,250

**INDEX NO. 14 (Land)**

**Property Identification**

Address	Southeast False Creek Sub Area 2A, Vancouver
Neighbourhood	Southeast False Creek
Legal Description	310, except portion on Plan BCP 20732, False Creek, Plan BCP 207731
PID	026-500-447
Reference	4421

**Land Data**

Lot Size	300,128 square feet, or 6.890 acres
Zoning	CD
Planned/Allowable Buildable Area	808,047
Frontage	940ft (rounded) False Creek Waterfront
Topography	Level
Utilities	Full urban utilities near

**Sale Data**

Sale Date	<b>April 1, 2006 Council resolution</b>
Sale Price	\$193,000,000
Upward Adjustment	\$17,100,000
Downward Adjustment	\$65,500,000
Adjusted Price	\$144,600,000
Vendor	City of Vancouver
Purchaser	Millennium Properties Ltd.
Property Rights	Fee simple
Conditions of Sale	Sold in a public tender process
Sale History	n/a, former City Public Works Yard

**Remarks**

A development site located in the central north area of Southeast False Creek and known as 'Sub-Area 2A.' Total area net of roadways is 488,748 square feet, or 11.22 acres. Total area for private development: 300,256 square feet or 6.89 acres, assuming an estimate of 28,428 square feet for community centre, childcare facility land, an estimated 90,940 square feet for City-owned affordable housing and 68,818 square feet of City-lands within sub-area 2A.

Millennium will design and construct all of the buildings in the first phase of the project (Sub-area 2A of the SEFC site) to meet or exceed the social, economic, and environmental sustainability standards set out in the City's SEFC Official Development Plan (ODP). The Millennium proposal also provides training, employment and business opportunities to inner city and aboriginal communities.

Gross floor area for all the site components and per the RFP is 1,191,511 square feet, however, this sum is inflated by a 10% increment to allow flexibility in architectural design for the various components; Maximum development is 1,083,192 square feet, of which 860,702 square feet is residential, 117,669 square feet is "choice of use", 77,073 is commercial and 34,748 square feet is amenity space. 246,161 square feet of the residential component is to be "affordable housing," i.e., nonmarket. Deducting the amenity space and the nonmarket housing produces a net yield of 802,283 square feet; Millennium's proposal entailed 808,047 square feet.



## LAND SALE NO. 14 (Cont.)

### Remarks (Cont.)

Title to all developable parcels will remain with the City until the end of the exclusive use period, after which the city will transfer the developer's parcels to Millennium. A ground lease will allow the parties to conduct their responsibilities up until the transfer. The development agreement will contain the provisions granting the developer the right and obligation to purchase the developer's parcels following the Exclusive Use Period.

The developer will also design and manage construction of 250 units of affordable housing, a childcare facility, community centre, non-motorized boating facility and related underground parking facilities. The City will pay construction costs for these facilities plus a fee estimated to be \$5 million. Millennium has also proposed a plan to create modest market housing for middle-income earners in the development, and will work with the City over the coming months to finalize its plans.

Land related costs beyond the purchase price include a \$6 DCL per square foot buildable. The cost of the \$6/BSF development cost levy over 808,047 square feet is \$4.85 million and is not included as part of the land value estimated herein.

The City has asked for fees as community amenity charges as high as \$43/BSF on neighbouring sites, with the present proposal at \$26/BSF; for the subject 808,047 square feet, the levy savings will be \$21 million. The final amount is yet to be determined. 50% of the amenities are to be in place for 2010. The balance will roll out over the 10 years beyond that.

City officials confirm that the sale price includes these additional development charges for community amenities that neighbouring developers will have to pay. Effectively the City will pay for these costs through in kind development contributions to the site. Therefore, the price paid by Millennium in effect includes all such supplemental development levies.

The terms of the RFP are that the affordable housing and community amenities are not at the developer's risk. The developer may build these and charge a fee to the City. Alternatively, the City may build these on its own. As such, this analysis excludes these buildings and lands.

In addition, City officials have indicated in the RFP its preference that the affordable housing be located on a distinct and separate piece of land. Discussions with City officials indicate that the affordable housing will be built on a lot bordering 1st Avenue. We have assumed this in our analysis of the sale.

City officials confirmed they would pay any incremental costs associated with soil contamination. Other developer costs at risk include extra site preparation and construction costs related to non-native land fill known to require additional foundation work such as piling and underground parking tanking.

Incremental foundation work is expected to entail piling and related costs. Assuming 20% of the site requires piling, we estimate this would cost approximately \$6.5 million. 50% of the parking stalls will likely require "tanking" at an additional cost of \$5,000 per stall. Based on an allowance of 1,200 square feet per unit and 1.3 stalls per unit, an estimated 438 stalls would need to be tanked at cost of \$2.2 million.

In addition, City Officials reported that due to contamination and unstable landfill, the entire site between First Street and Front Street would have to be excavated down to native soil. Immediately next to First Street, depth would be 3-4 meters but then would go to 8 meters deep for the rest of the site. Between the water and Front Street, further analysis has to be done but development would likely be piled due to depth and other factors. The site would then have to be refilled with load bearing material. Developer's portion of site incremental excavation and fill costs and contingencies have not been included in this estimate.

Benefits to the developer include property tax holiday during the development period through an interim ground lease arrangement. This benefit is estimated to be approximately \$4.1 million, present value based on a \$470 /SF of site and applying 2005 mill rates for residential and commercial.

Other benefits to the developer include the likely waving of permit fees during the development period which

City officials estimate would run between \$1 and \$2 million. We have used a figure of \$1.5 million.

City officials confirm that the purchaser has waived the right for the City to pay the holding costs during the Exclusive Use Period, which they estimate to worth between \$10 and \$12 million. We have used a figure of \$11 million discounted at 7%; the present value is \$8.4 million

Payment of 85% of the purchase delayed until after project completion. At a 7% discount rate, the present value of the transaction is \$154 million, a \$39 million reduction.

Present value of land and related costs total \$144.6 million or \$178.94 per buildable market square foot.

The allowable development area of 808,047 saleable square feet assumes RFP (December 7, 2005) and ODP guidelines. This figure is net of any affordable housing construction, which is at the cost and risk of the City.

Sale Price/Acre	\$28,011,611
Sale Price/Gross SF	\$643.06

**INDEX NO. 15 (Land)**

**Property Identification**

Address	368 West 1st Avenue, Vancouver
Neighbourhood	Southeast False Creek
Legal Description	Lots 1, 2 and 3, Block 3, District Lot 302, Plan 5832.
PID	003-896-196, 003-896-854 and 003-896-218
Reference	4413

**Land Data**

Lot Size	18,117 square feet, or 0.416 acres
Zoning	M-2, Industrial
OCP Designation	Proposed CD, Comprehensive Development
Planned/Allowable Buildable Area	69,084
Planned/Allowable Units	54
Frontage	149ft (rounded) West 1st Avenue
Depth	122 ft.
Shape	Rectangle
Topography	Level
Utilities	Full urban utilities

**Sale Data**

Sale Date	<b>April 1, 2006 (to close June 2006)</b>
Sale Price	\$9,375,000
Vendor	Cecilia and Ulf Von Dehn
Purchaser	PCI Developments Corp.
Property Rights	Fee simple

**Remarks**

Southeast corner of the intersection of West 1st Avenue and Wylie Street, east of Cambie Street and north of West 2nd Avenue, in the South East False Creek area. Improved with a four-storey timber and brick building on the west portion of the site plus a one storey, non-basement concrete block building adjacent on the east. Historic use for storage and office purposes, aggregate building area is approximately 42,052 square feet. The four-storey-plus-basement heritage building is to be retained, with the one storey, non-basement concrete block structure to be demolished. A five-storey building is to be erected on the east portion of the site and combined gross floor area for the two structures is to be 69,084± square feet. The floor space ratio for the overall development will be 3.81. 40 parking stalls for this project will be under a nearby site at 420 West 1st Avenue, which was purchased as part of the subject acquisition and immediately sold to the purchaser of the former Maynard's site, with the requirement to accommodate (but not pay for) the parking forming part of the transaction.

To compensate the owner for the cost of retaining the heritage building, the City of Vancouver will provide 93,073 square feet of transferable density. Valued at \$50 PBSF, this incentive was intended to offset the incremental cost of retention relative to new construction,

Forms part of the South East False Creek Official Development Plan, adopted July 2005; sub-area 1B, allowing a total floor area of 81,655 square metres or 878,956± square feet, all of which can be multiple family residential. Specific land uses and regulations as per the Official Development Plan point to a floor space ratio of 3.50 for the subject enclave, including mandatory retail, service and office uses. Development will occur primarily under the CD-1, Comprehensive Development District zoning. Maximum building height in Area 1B is 38 metres or 125 feet.

**Indicators**

Sale Price/Gross Acre	\$22,540,934
Sale Price/Gross SF	\$517.47
Sale Price/Unit	\$173,611

**Summary**

Index	Location	Zoned	Site SF	BSF	FSR	Units	BSF /unit	UPA	Date	\$
1	2201 Ash Street	FM-1	22,000	35,752	1.63	35	1,021	69	Apr-03	3,060,000
2	2386 Cornwall Street	RM-4	5,400	7,760	1.44	4	1,940	32	Jul-03	975,000
3	854 - 864 West 6th Avenue	FM-1	21,981	35,970	1.64	52	692	103	Sep-03	2,600,000
4	325 West 59th Avenue	CD-1	61,350	61,350	1.00	43	1,427	31	Apr-04	5,500,000
5	1803 Macdonald Street	RT-8	15,569	11,663	0.75				Oct-04	2,403,000
6	2280 Cornwall Avenue	RM-4	12,000	17,400	1.45				Jan-05	4,650,000
7	1468 West 14th Avenue	RM-3	28,125	40,781	1.45	46	887	71	Jan-05	7,690,000
8	3837-3851 West 4 <sup>th</sup> Avenue	RM-3A	17,815	25,832	1.45				May-05	5,775,000
9	1315 – 45 West 11th Avenue	RM-3	37,496	54,369	1.45				Aug-05	12,000,000
10	2166 West 8th Avenue	RM-4	17,250	26,100	1.51	18	1,450	45	Dec-05	5,700,000
11	415 - 445 West 2nd Avenue; 340 West 1st Avenue	C-3A	67,812	203,436	3.00				Dec-05	23,680,000
12	102-130 West 1st Avenue; 1703 Manitoba Street	M-2	30,274	105,959	3.50				Dec-05	9,750,000
13	6650 Arbutus Street	CD-1	55,800	46,314	0.83	28	1,654	22	Dec-05	6,755,000
14	SE False Creek Sub Area 2A	CD	300,128	808,047	2.69				Apr-06	144,600,000
15	368 West 1st Avenue	M-2	18,117	69,084	3.81	54	1,279	130	Apr-06	9,375,000
	Subject		65,340	58,681	0.90	50	1174	33		
	Minimum		5,400	7,760	0.75	4	692	22	Apr-03	975,000
	Median		22,000	40,781	1.45	39	1,353	57	May-05	5,775,000
	Average		47,408	103,321	1.84	35	1,294	63	Feb-05	16,300,867
	Maximum		300,128	808,047	3.81	54	1,940	130	Apr-06	144,600,000

As a general comment, the subject has a density, measured in terms of FSR and unit per acre (UPA), toward the lower end of the market data range. With high demand and limited land supply, the City favours higher densities in contemporary land developments than it did thirty years ago when the subject development was approved.

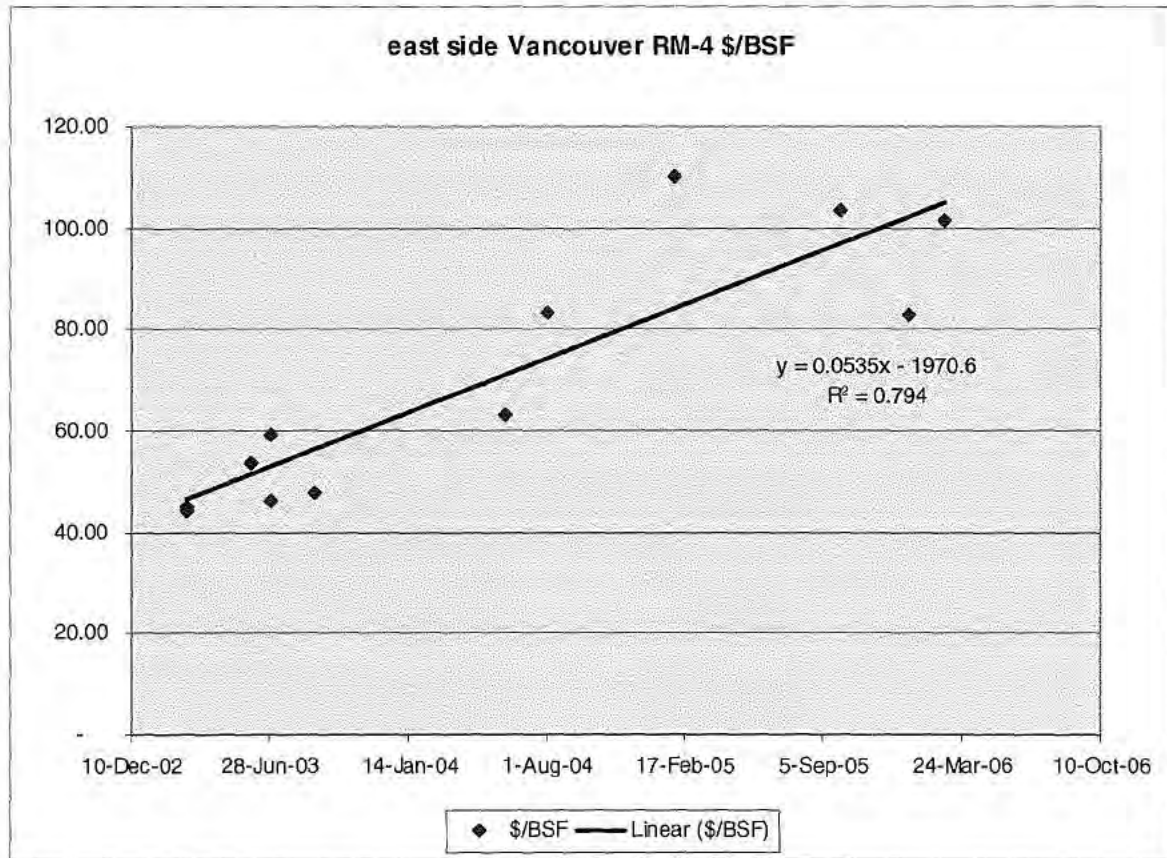
To consider sales of land that in aggregate have the characteristics relevant to this analysis, it has been necessary to include land sales extending back to April of 2003. Because the Vancouver multifamily land market has been rising, a time adjustment is needed. The two common methods to evaluate changing market conditions involve the analysis of individual property resales, and the analysis of sales of similar properties. Because the development market has been strong, buyers of development sites have tended to develop rather than hold them; consequently, there is little in the way of recent resales to analyse. We therefore examined sales of similar properties.

Multifamily land sales in suburban areas of Vancouver tend to be zoned RM-3, RM-4, C3-A and C2. RM-4 is the most common in recent land sales, and being a pure residential use schedule, is free from the commercial influences of the C2 and C3-A schedules. We examined sales of RM-4 sales since early 2003, completing separate analyses for the east and west side markets of Vancouver.

Location	E/W	Site SF	Date	Adjusted price	\$/SF	\$/PBSF
2234-2240 St. George Street; & 519 East 7th Avenue	e	12,078	1-Mar-03	\$788,000	65.24	44.99
549 East 7th Avenue	e	4,026	1-Mar-03	\$258,000	64.08	44.20
1628-1638 East Georgia Street	e	16,117	1-Jun-03	\$1,250,000	77.56	53.49
374 - 396 East 15th Avenue	e	12,222	1-Jul-03	\$1,050,000	85.91	59.25
1428 -1438 East 8th Avenue	e	8,052	1-Jul-03	\$540,000	67.06	46.25
245 East 13th Avenue	e	6,055	1-Sep-03	\$420,000	69.36	47.84
2234 & 2236 St. George Street; & 519 & 525 East 7th Avenue	e	16,096	1-Jun-04	\$1,469,998	91.33	62.98
2620 Quebec Street	e	13,068	1-Aug-04	\$1,577,500	120.71	83.25
2707 - 2771 Guelph Street	e	24,742	1-Feb-05	\$3,950,000	159.65	110.10
105 East 15th Avenue	e	6,534	1-Oct-05	\$979,000	149.83	103.33
1523-1543 East 8th Avenue	e	16,104	5-Jan-06	\$1,938,000	120.34	83.00
1622 Grant Street	e	4,008	27-Feb-06	\$590,000	147.22	101.53
926/30 West 16th Avenue	w	7,986	1-Apr-03	\$1,070,000	133.98	92.40
2386 Cornwall Street	w	5,400	1-Jul-03	\$975,000	180.56	124.52
1438-1460 Arbutus Street	w	9,950	1-Nov-03	\$2,245,000	225.63	155.61
1946-1956 West 5th Avenue	w	9,000	1-Mar-04	\$2,025,000	225.00	155.17
240-250 West 10th Avenue	w	11,446	1-Oct-04	\$2,055,000	179.54	123.82
2329-2339 West 1st Avenue	w	6,000	1-Mar-05	\$1,450,000	241.67	166.67
2022-2032 West 1st Avenue	w	6,000	1-Mar-05	\$1,195,000	199.17	137.36
1948 West 2nd Avenue	w	3,000	1-Oct-05	\$567,500	189.17	130.46
2166 West 8th Avenue	w	18,750	1-Dec-05	\$5,700,000	304.00	209.66

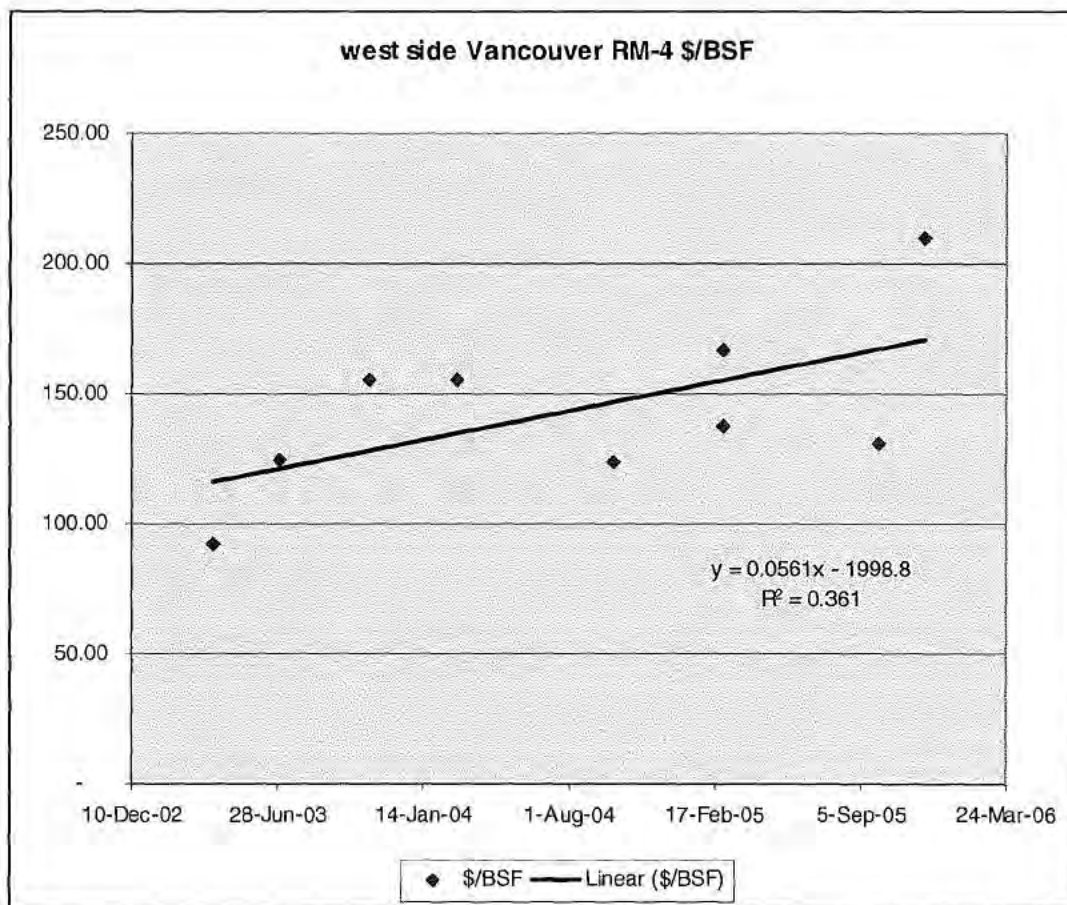


Plotting these sales illustrates rising values.



Applying the formula for the trend line of East side RM-4 sales shows a typical 2.24% monthly rate of increase over the period of interest.

east side	start	end		
month	1-Apr-03	1-May-06	37.00	months gone
rate PBSF	47.29	107.53	127%	% increase
			2.24%	per month



west side	start	end		
month	1-Apr-03	1-May-06	37.00	months gone
rate PBSF	116.84	180.01	54%	% increase
			1.17%	per month

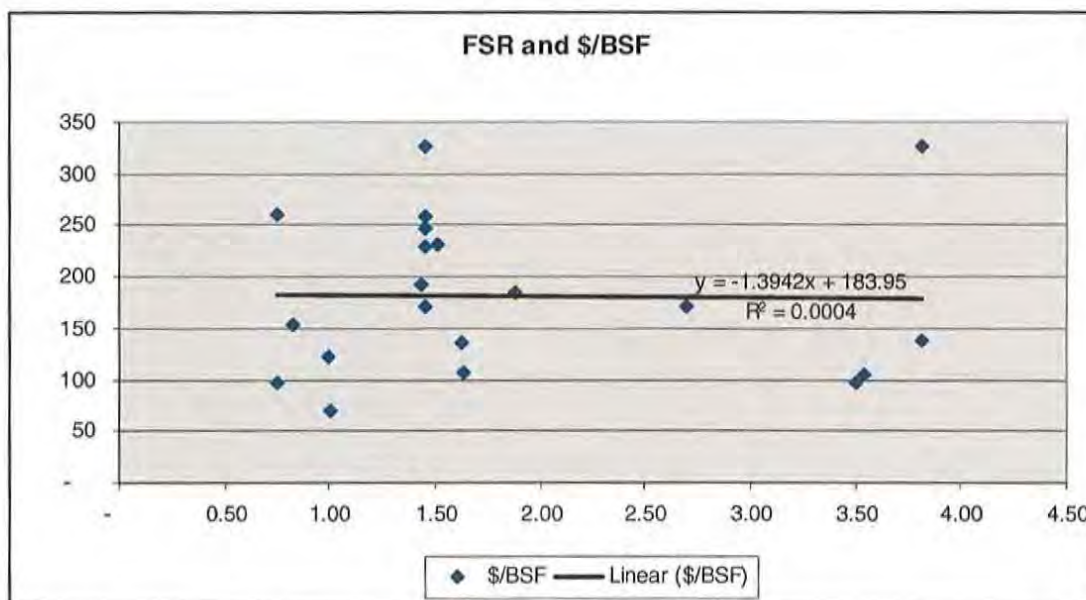
The west side sales show a typical 1.17% monthly increase in values. The subject lies in the west side, however, the east side data is technically better: the west side data shows somewhat greater variability than that from the east side sales, and does not have any 2006 sales, while two 2006 trades exist in the east side data. Since the subject lies on the west side, we have given greatest weight to the west side data, recognizing the higher time adjustment shown by the east side data in our time adjustment of 1.25% per month.

The following chart shows the results of this time adjustment.

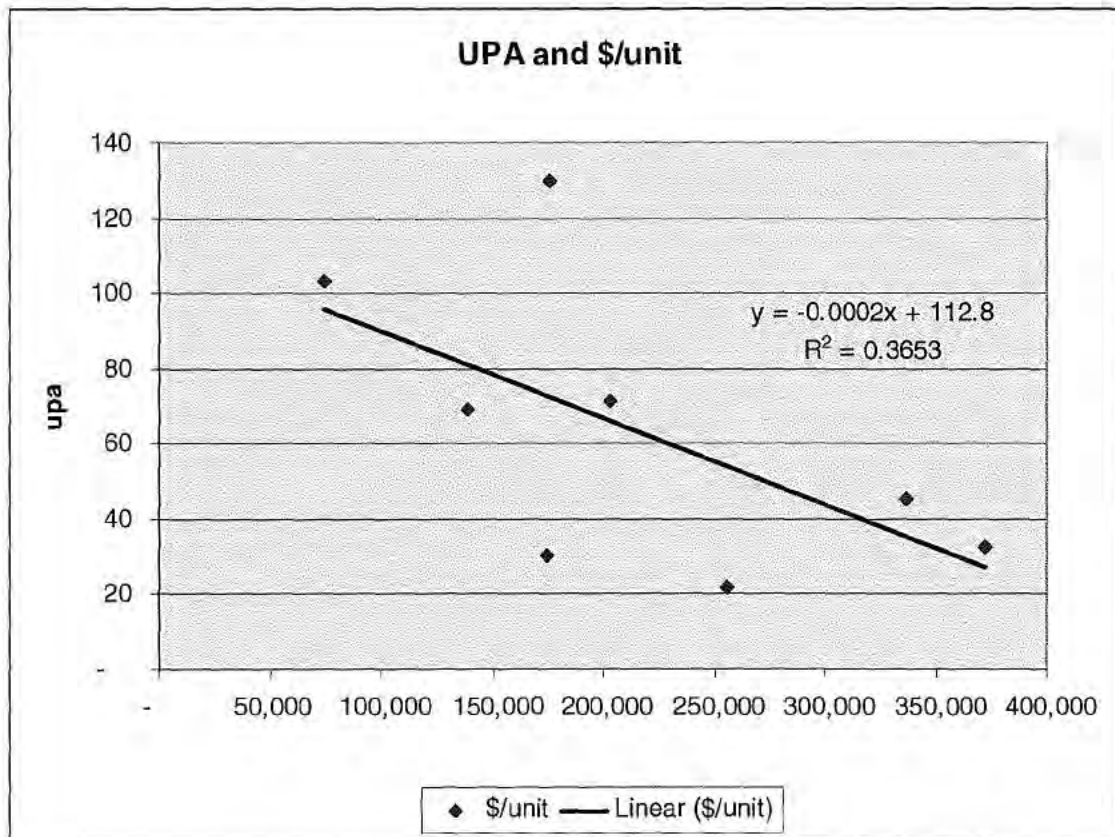
Index	Location	Date	months elapsed	\$	time adjustment	adjusted \$	per LSF	per BSF	per unit
1	2201 Ash Street	Apr-03	37	3,060,000	58%	4,845,118	220	135.52	138,432
2	2386 Cornwall Street	Jul-03	34	975,000	53%	1,487,503	275	191.69	371,876
3	854 - 864 West 6th Avenue	Sep-03	32	2,600,000	49%	3,865,982	176	107.48	74,346
4	325 West 59th Avenue	Apr-04	25	5,500,000	36%	7,500,191	122	122.25	174,423
5	1803 Macdonald Street	Oct-04	19	2,403,000	27%	3,041,072	195	260.75	
6	2280 Cornwall Avenue	Jan-05	16	4,650,000	22%	5,667,858	472	325.74	
7	1468 West 14th Avenue	Jan-05	16	7,690,000	22%	9,373,296	333	229.84	203,767
8	3837-3851 West 4th Avenue	May-05	12	5,775,000	16%	6,702,673	376	259.47	
9	1315 - 1345 West 11th Ave	Aug-05	9	12,000,000	12%	13,414,372	358	246.73	
10	2166 West 8th Avenue	Dec-05	5	5,700,000	6%	6,062,329	351	232.27	336,796
11	415 - 445 West 2nd Avenue; 340 West 1st Avenue	Dec-05	5	23,680,000	6%	25,185,256	371	123.80	
12	102-130 West 1st Avenue; 1703 Manitoba Street	Dec-05	5	9,750,000	6%	10,369,774	343	97.87	
13	6650 Arbutus Street	Dec-05	5	6,755,000	6%	7,152,210	128	154.43	255,436
14	SE False Creek Sub Area 2A	Apr-06	1	144,600,000	1%	146,381,360	488	181.15	
15	368 West 1st Avenue	Apr-06	1	9,375,000	1%	9,490,493	524	137.38	175,750
	Minimum	Apr-03	1	975,000	1%	1,487,503	122	97.87	74,346
	Median	May-05	12	5,775,000	16%	7,152,210	343	181.15	189,759
	Average	Feb-05	15	16,300,867	21%	17,369,299	316	187.09	216,353
	Maximum	Apr-06	37	144,600,000	58%	146,381,360	524	325.74	371,876



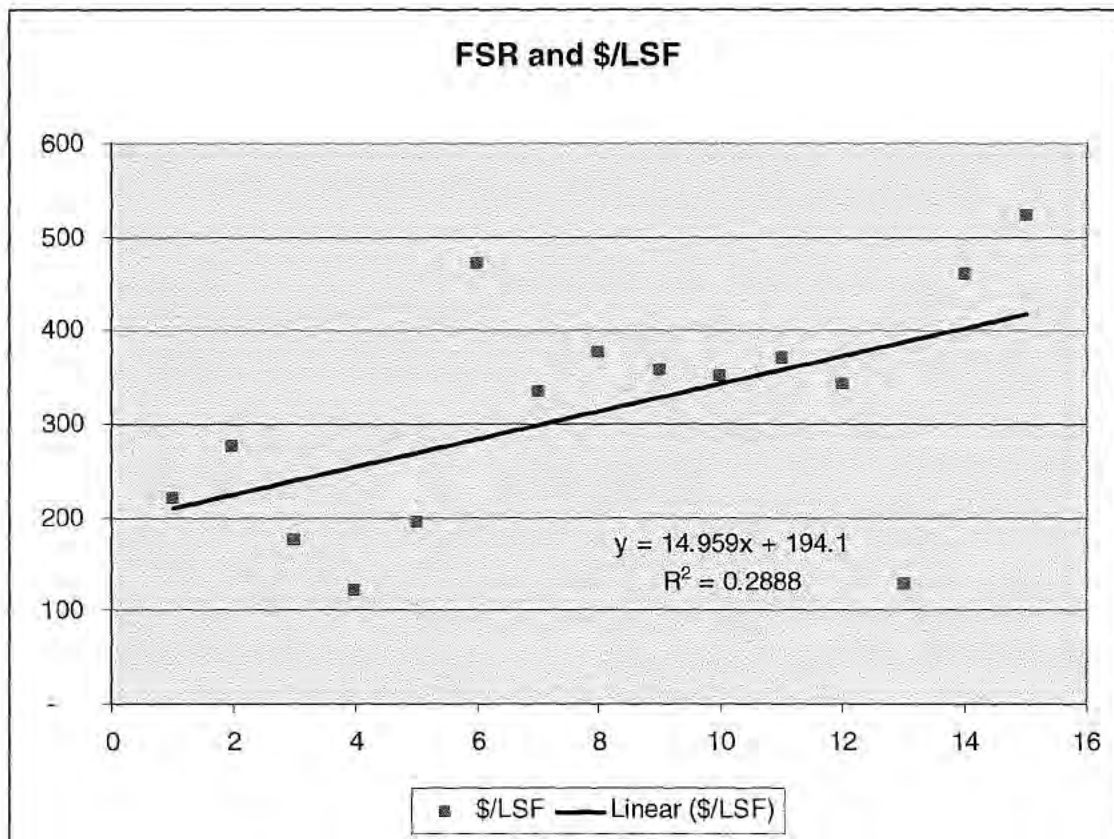
After adjustment for time, the price per buildable square foot ranges from \$98 to \$326, and the price per unit extends from \$74,346 to \$371,876, with a central tendency near \$200,000. Floor space ratios range from 0.75 to 3.81; at 0.90, the subject lies toward the bottom end of this range. We completed three graphical analyses to examine patterns within the data with respect to the relationship between value and density.



Graphical analysis shows no obvious relationship between the price per buildable square foot and the floor space ratio which is simply because the sales do not represent homogenous properties: development economics are such that the price per buildable square foot generally declines as density increases.



There is a clear relationship between density, measured in terms of units per acre, and the price per unit. There is also a clear relationship between the floor space ratio and the price per square foot of land.



With the foregoing as background, we turn now to analysis of the market data.

Land Sale No. 1 is a development site located on the southwest corner of West 6th Avenue and Ash Street in Fairview, near the subject. This 22,000 square foot site is exposed to considerable traffic, mostly from 6th Avenue. An offer to purchase was reported in April 2003 for \$3,060,000 or \$139.09 per square foot, representing a price of \$87,429 per unit and \$85.59 per square foot buildable. (Time adjusted rates are \$136/BSF and \$138,432 per unit.) At the time of offer, the site contained two old commercial buildings that contributed little to overall value. The purchaser was to build a 35-unit multiple-family residential development. This setting is clearly inferior to that of the subject and the FSR is higher; we regard both time-adjusted indicators as low for the subject.

Land Sale No. 2 is on the south side of Cornwall Avenue, east of Balsam Street and opposite Kits Beach, with excellent water views. We included this and another sale to help reflect the influence of a water amenity on value. The 5,401 square foot site is zoned RM-4, with a

maximum 1.45 FSR. It now contains a four-storey, four-unit luxury multiple family residential development. The property sold in July 2003 for \$975,000. Time adjusted rates are \$192 per buildable square foot and \$371,876 per unit. These are very large units, at 1,940 square feet, relative to the subject at 1,174 square feet; the unit rate is high for the subject. Density, in terms of FSR is higher; however, the subject orientation to the water is superior. Further, the site is very small, and very small sites are less economic to develop. Overall, we regard the \$192/BSF as low for the subject.

Land Sale No. 3 is a 21,981 square foot FM-1 zoned multiple family residential development site located on the south side of West 6th Avenue, west of Willow Street, in Fairview. West 6th Avenue in this location is a busy street. The former "McIver's Appliances" site sold in September 2003 with a development permit in place for a 52 unit low-rise multifamily development that included a small commercial component. The sale price of \$2,600,000 represented time adjusted rates of \$107 per buildable square foot and \$74,346 per unit. The units are very small, at an average of only 692 square feet, and the subject setting is clearly superior. These rates are low for the subject.

Land Sale No. 4 is a 1.4-acre comprehensive development site two blocks east of Cambie Street, south of Langara Golf Course in the Oakridge area of Vancouver. At the time of sale, the property was improved with a vacant, older private hospital structure. Vancouver has now amended the zoning to allow up to 43 multiple dwelling units (30.5 UPA) at 1.0 FSR. The April 2004 sale yielded \$5,500,000, with time-adjusted rates of \$122 per square foot buildable and \$174,423 per unit (for larger units than in the subject). At 1.0 FSR, this property is one of the few sales with an FSR near that of the subject. The subject setting is clearly superior, and the rates associated with this trade are thus low.

Land Sale No. 5 is a 15,569 square foot, RT-8 zoned development site on the west side of Macdonald Street, north of West 3rd Avenue in the Kitsilano. The property sold for \$2,403,000 in October 2004, showing a time-adjusted rate of \$261 per square foot buildable. This site has a low 0.75 FSR, and an attractive Kitsilano location. I regard this rate per buildable square foot as slightly high for the subject.

Land Sale No. 6 refers to a 12,000 square foot potential development site located on the south side of Cornwall Avenue, between Vine Street and Yew Street, across from Kitsilano Beach Park. The property was improved with a three-storey, 24-unit apartment building and sold in January 2005 for \$4,650,000 or \$387.50 per square foot of site. Value is primarily in the land, although the improvements contributed somewhat to value. Based on the 1.45 maximum floor space ratio the transaction showed a time-adjusted rate of \$325.74 per buildable square foot. The subject setting is superior, however, the contribution of the comparable improvements and the appeal of the Kitsilano location are more than offsetting – we regard this adjusted rate as materially high for the subject.

Land Sale No. 7 refers to a 28,125 square feet, RM-3 zoned property on the south side of West 14th Avenue, east of Granville Street. The three-lot assembly closed between January and April 2005. The purchase price was \$7,690,000, which after adjustment for time reflects rates of \$203,767 per unit and \$229.84 per buildable square foot, based on a 1.45 floor space ratio. The purchaser contemplates a high-rise development on the site, which will provide very good views to units on the upper floors. This phenomenon will offset, to a greater or lesser extent, the superior subject setting and the higher FSR. Average unit size is 887 square feet, smaller than for the subject. I regard the \$229.84 per square foot as a useful indicator for the subject, with the adjusted unit price of \$203,767 low, due to the smaller average unit sizes.

Land Sale No. 8 is a three-lot redevelopment assembly located on the north side of West 4th Avenue, between Highbury Street and Wallace Street near Jericho Beach. The properties were improved with three wood frame apartment buildings containing 32 units. The purchaser was planning to redevelop the site in the short to medium term. The May 2005 trade at \$5,775,000 reflected a time-adjusted rate of \$259.47 per square foot buildable, at the maximum 1.45 FSR. This Point Grey location has high market values, and represents a superior location, which the subject water setting mostly offsets, and the improvements likely continue to contribute value; we regard this \$259 rate as slightly high for the subject.

Land Sale No. 9 pertains to an assembly of three properties totalling 37,496 square feet on the northwest corner of West 11th Avenue and Birch Street in the Fairview neighbourhood of Vancouver. At the time of the sale, the overall property was improved with a rental conversion



dwelling and two low-rise apartment buildings. Polygon is proposing a 12-storey high-rise development with a maximum floor area of 54,369 square feet. The properties were assembled in August 2005 for \$11,973,002, which yields a time-adjusted rate of \$246.73 per square foot buildable at the maximum 1.45 FSR. The purchaser contemplates a high-rise development on the site, which will provide very good views to units on the upper floors. This phenomenon will offset, to a greater or lesser extent, the superior subject setting and the higher FSR. I regard the \$246.73 per buildable square foot as a useful indicator for the subject.

Pending Land Sale No. 10 pertains to the December 2005 contract for a 17,250 net square feet property on the south side of West 8th Avenue, between Yew Street and Arbutus Street in the Kitsilano neighbourhood. At the time of the sale, the property was improved with a three-storey, wood frame apartment development constructed in 1966. The purchaser is proposing to demolish the existing improvements and construct 18 townhouses with a saleable area of 26,100 square feet and secured underground parking garage measuring 11,000 square feet. This proposed development reflects a floor space ratio of 1.51, based on the net site area of 17,250 square feet. The offer price was for \$5,700,000, showing adjusted rates of \$232.27 per square foot buildable and \$336,796 per proposed unit. After considering the settings of subject and comparable, we regard the \$232.27 rate per square foot buildable as a useful indicator for the subject; as the 1,450 square foot average unit size is larger than that of the subject, the \$336,796 per unit is a high indicator

Pending Land Sale No. 11 refers to the Maynard's Auction site, a 67,812-square-foot development site on the northwest corner of Wylie Street and West 2nd Avenue in Fairview, east of the subject. The eight-lot assembly has an offer as of December 2005 for \$100 per square foot buildable or approximately \$23,680,000. The property is located on the edge of the Southeast False Creek neighbourhood, but out of the Olympic Village security zone and will not be subject to the additional development cost charges (budgeted at the time of sale between \$12 and \$26 per buildable square foot, plus the citywide \$6 levy.) At the present 3.0 FSR limit, the rate per buildable square foot is \$116.40, however at the 3.5 FSR provided on nearby Southeast False Creek South East sites, the rate per buildable square foot is \$99.77. After adjustment for time, the 3.0 FSR unit rate is \$123.80 per buildable square foot; at 3.5, the adjusted rate is \$106.11. The density is much higher, and the setting clearly inferior; the unit rates associated with this

trade are low for the subject.

Land Sale No. 12 refers to a 30,274-square-foot site situated at the southwest corner of West 1st Avenue and Manitoba Street, in the South East False Creek development area. The property sold in December 2005 for \$9,750,000 or \$322.06 per square foot of site. Based on a floor space ratio of 3.5, the transaction shows an adjusted rate of \$97.87 per buildable square foot. This site is obliged to pay the South East False Creek development levies, anticipated at the time of sale to lie between \$12 and \$26 per buildable square foot, but subsequently expected to lie in the order of \$26, in addition to the \$6 city wide charges. Again, due to setting and FSR, the \$98 rate associated with this sale is materially low for the subject.

Land Sale No. 13 is the former St. Vincent's Hospital property at the southeast corner of Arbutus and West 49th Avenue in Kerrisdale. The site has a sloping terrain and backs onto a presently unused CPR rail corridor; it is near the commercial heart of Kerrisdale. The 1.281-acre triangular site is proposed for 28, 2.5-storey townhouses, "Bannister Mews." Closing in December 2005 the trade at \$6,755,000 yields an adjusted \$255,436 per unit and a price per buildable square foot of \$154.43 at the maximum 0.83 FSR; notwithstanding the Kerrisdale market demand, the site setting is much inferior to the subject – both of these indicators are low for the subject.

Land Sale No. 14 is the Athlete's Village property in False Creek. The net "market" lands are about 6.89 acres, and will accommodate about 808,047 square feet of saleable or rentable area. The project entails an additional +/- 300,000 square feet of non-market housing and community amenity space. This is a desirable waterfront residential site, and likely the last to be available for years. The developer is to construct the facility in time for the Olympics, receiving the project for sale or rental thereafter. The nominal value of the April 2006 transaction is \$193,000,000; after adjustment for a variety of factors, the net price is \$144,600,000, \$178.94 per buildable square foot. As a general comment, this rate should be less than appropriate for the subject, which is a much smaller site in a better False Creek, and has a materially lower density. However, reliance on this unit rate requires caution, due to the complexity of the transaction.

Land Sale No. 15 is the Best Building site at West 1st Avenue and Wylie Street, a block east of

the Cambie Street Bridge, and forming the westerly boundary of the South East False Creek development area. Sites in this location are obliged to pay area development costs, presently expected to be in the order of \$26 per square foot, plus the \$6 per square foot citywide levy. The four-storey-plus-basement heritage building is to be retained, with the one storey, non-basement concrete block structure to be demolished. A five-storey building is to be erected on the east portion of the site and combined gross floor area for the two structures is to be 69,084± square feet. The floor space ratio for the overall development will be 3.81. This April 2006 agreement at \$9,375,000 equates to \$135.70 per buildable square foot. There is a significant amount of transferable density associated with retention of the existing building; however, this incentive supposedly reflects the added costs of its retention. Again, while the price per buildable square foot is clearly low for the subject, the complexity of this transaction makes it difficult to rely on the data as more than a general indicator.

In terms of the adjusted price per buildable square foot, we regarded indices No. 5, 6 and 8 as high limits, showing values of \$260 and beyond. Indices No. 1, 2, 3, 4, 11, 12, 13, 14 and 15 are low indicators, showing rates of \$192 and less. The remaining indicators, No 7, 9 and 10 show rates of \$230, \$232 and \$246 that were considered useful indicators for the subject. In our view, value will lie between \$230 and \$250 per buildable square foot. At the \$240 midpoint, value is \$14,083,440.

\$/BSF	value
230	13,496,630
240	14,083,440
250	14,670,250

The price per unit indicator was also considered, albeit for support only, because there are fewer indicators. Indices No. 1, 3, 4, 7, 13 and 15 are considered low indicators, showing rates up to \$255,436. Two sales were considered to show upper bounds – Indices No. 2 and 10, with rates of \$336,796 and higher. Our analysis points to value within the lower part of this ranges, say in the order of +/- \$270,000 to \$290,000 per unit, where value for the 50-unit subject property would lie between \$13,500,000 and \$14,500,000, say \$14,000,000.

\$/unit	value
270,000	13,500,000
280,000	14,000,000
290,000	14,500,000

Our **\$14,083,440** conclusion of value relies on the price per buildable square foot unit of comparison, with good support from the price per unit analysis.

Exposure time<sup>9</sup> is the time a property remains on the market. In an appraisal, the term means the estimated length of time an owner would likely need to market the appraised property interest before the hypothetical consummation of a sale at market value on the effective date of the appraisal. An opinion of exposure time is a retrospective estimate that has its basis in an analysis of past events assuming a competitive and open market.

In our view, the subject property ought to trade within a time typical for its market. This exposure time was typically three months or less for properties such as the subject. This time estimate assumes no known or suspected defects, reasonable pricing and professionally marketing. It does not include the time for normal due diligence, nor the closing time after an agreement in principle.

#### *Ground rental conversion rate*

While the City has at various times adopted policies respecting ground rental conversion rates, it often relies on real estate appraisal advice. We routinely interview officials of property owners (usually government or quasigovernment in character) respecting their land use policies: The majority who monitor the marketplace rely on appraisal advice for properties of material value. Properties of nominal value are often rented using administratively simple policies, involving “zone” values or assessed land value.

The various municipalities and agencies surveyed suggest an overall range in yield rates of 6% to 12%, with the province charging as low as 4.5% for rural and remote locations. Industrial rates fall within a narrower range of 8% to 12%, with the preponderance of evidence suggesting 8%. In our experience, the public sector trails the private sector in setting their rates. We have given little weight to these leasing practises, other than to note that historically the rates tend to lie

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<sup>9</sup> Canadian Uniform Standards, 2005, line 1428

slightly beneath the prevailing overall rate for improved properties of a similar use and nature.

One can gain insight into ground rental conversion rates by examining the overall rates associated with sales of improved multifamily residential properties. These improved sales generally show higher rates than appropriate for long-term land leases, due to the need to recapture depreciating building assets. Representative recent sales of improved residential properties include the following.

Index	Location	Sale Date	adjusted price	Net Income	Overall Rate
1	5815 Yew Street	Dec-04	15,600,100	691,048	4.4%
2	2280 Cornwall Avenue	Jan-05	4,650,000	194,399	4.2%
3	1855 Barclay Street	Apr-05	5,600,000	270,024	4.8%
4	1419 Harwood Street	Apr-05	5,500,000	210,537	3.8%
5	1228 Nicola Street	Apr-05	12,500,000	647,497	5.2%
6	1461 Harwood Street	Jun-05	5,350,000	218,931	4.1%
7	5951 Balsam Street	Jun-05	12,883,250	653,916	5.1%
8	1298 West 10th Avenue	Jul-05	7,000,000	397,513	5.7%
9	2090 Comox Street	Aug-05	7,888,000	323,339	4.1%
10	1374 Grant Street	Nov-05	3,925,000	195,421	5.0%
11	2255 Cypress Street	Dec-05	7,825,000	351,598	4.5%
12	2166 West 8th Avenue	Jan-06	5,700,000	230,458	4.0%
13	1817 Yew Street	Jan-06	4,000,000	151,825	3.8%
14	612 7th Avenue East	Jan-06	4,250,000	211,063	5.0%
15	1010-1030 Howe Street, 750-780 Nelson Street	Mar-06	30,030,000	1,012,507	3.4%
16	1020 West 12th Avenue	Apr-06	5,200,000	255,523	4.9%
17	1107 West 14th Avenue	Apr-06	5,900,000	246,114	4.2%
18	1364 West 11th Avenue	Apr-06	5,600,000	219,882	3.9%
minimum		Dec-04	3,925,000	151,825	3.4%
median		Sep-05	5,650,000	250,819	4.3%
average		Sep-05	8,300,075	360,089	4.4%
maximum		Apr-06	30,030,000	1,012,507	5.7%

Apartment Sale No. 1 refers to the December 2004 sale of an 83-unit, 14-storey, high-rise apartment building on the west side of Yew Street, north of 43rd Avenue in the Kerrisdale neighbourhood of Vancouver; the site measures 33,106 square feet and has RM-3 zoning. The building contained 15 studios, 55 one-bedroom units and 13 two-bedroom units and was reportedly in good condition at the time of the sale. The property traded for \$15,600,100 or \$187,953 per unit, while the overall rate was 4.4%; 27.4% expense ratio, with the rents including heat.

Apartment Sale No. 2 is a 24-unit apartment building located on a 12,000 square foot RM-4 zoned site on Cornwall Avenue in the Kitsilano area of Vancouver. A January 2005 offer for \$4,650,000 or \$193,750 per unit closed in April. The offer reflects an overall rate of 4.2%. Rents were regarded as below market at the time of the sale; low rents depress overall rates.

Apartment Sale No. 3 involves a 50-year-old five-storey concrete apartment building with one level of secured parking, reportedly in good condition. It has a very good west-of-Denman location on the northeast corner at Gilford Street, in the West End. Hollyburn Properties acquired the property from an estate. This 41-suite property has mostly bachelor units, and occupies a small 8,712 square foot RM-5B zoned site. Closing in April of 2005, this \$5,600,000 sale yielded a 4.8% overall rate.

Apartment Sale No. 4 pertains to a 42-unit, seven-storey concrete apartment building on an 8,646 square foot RM5-A zoned site, midblock on the north side of Harwood Street, west of Broughton, in the West End neighbourhood of Vancouver. The building was constructed in 1959 and was reportedly in good condition. The property traded in April 2005 for \$5,500,000 or \$130,952 per unit. The overall rate was 3.83%, expenses at \$2,987 per unit are reasonable, but the high operating expense ratio of 37% shows that rents are low.

Apartment Sale No. 5 is a 14-storey, concrete high-rise apartment building in the West End. The property was listed in July 2004 for \$12,875,000 or \$125,000 per unit, eventually selling in April of 2005 for \$12,500,000. The transaction reflected an overall rate of 5.2% with a 30.5% operating expense ratio.

Apartment Sale No. 6 is a ten-storey 38 suite apartment building on the corner of Nicola Street and Harwood Street, in Vancouver's West End. The RM-5 zoned site is small, at only 9,432 square feet, but it offers views from the upper levels. 18 of the 38 units are studios. Closing in December of 2005, the \$5,350,000 sale yielded an overall rate of 4.1%, with expenses at a high 37.7%, again suggesting rents were below market levels, thus depressing the overall rate.

Apartment Sale No. 7 is Bermuda Manor, a 67-unit three-storey wood frame apartment in Kerrisdale; The 49,500 gross square foot improvement represents a 1.33 FSR on the 36,920 square foot RM-3 zoned site - maximum density would be 1.45 FSR. Estimated at 35 to 40 years in age, the June 2005 sale at \$12,883,250 represents a 5.08% overall rate.

Apartment Sale No. 8 is an older four-storey mill and masonry apartment at the corner of West 10th Avenue and Birch Street, in Vancouver's Fairview neighbourhood. This 69-suite apartment

sits on a 12,632 square foot RM-3 zoned site, and albeit clean, had significant deferred maintenance at the time of sale. The July 1, 2005 sale at \$7,000,000 produced an overall rate of 5.7, based on the income profile "as is." The poor condition would lead to a price discount, and thus a higher overall rate than for a property in average condition.

Apartment Sale No. 9 is a six-storey masonry and concrete apartment project on the south side of Comox Street, west of Chilco, in Vancouver's West End. This 41-suite apartment project occupies an 11,921-square foot RM-5B zoned site. Closing in August of 2005, the \$7,888,000 trade yielded a 4.1% overall rate (expenses 31.7%, \$3,726 a unit)

Apartment Sale No. 10 is a four-storey, 39-unit apartment building located on the northwest corner of Grant Street and McLean Drive, in the Grandview neighbourhood of Vancouver. The RM-4 zoned site has a net area of 0.46 acres, with the improvements representing a 1.33 FSR. The property sold in November 2005 for \$3,925,000 or \$100,641 per unit. The transaction shows an overall rate of 5.0% (33.8% operating expenses). East side Vancouver locations often have a higher overall rate than those on the west side.

Apartment Sale No. 11 refers to the December 2005 sale of a 47-unit apartment building on a 22,400 square foot RM-4 zoned site at the northwest corner of Cypress Street and West 7th Avenue, in Kitsilano. After adjusting for post purchase repairs and fees, the price was \$7,825,000. The overall rate was 4.5%. Expenses were 30.23%, with the landlord paying heat.

Apartment Sale No. 12 represents the January 2006 sale of a 32-unit, wood frame apartment building located on the south side of West 8th Avenue, in Kitsilano. The RM-4 zoned site measured 18,750 square feet and represented most of the value. Built circa 1966, 22 units were 1-bedroom, with six 2-bedroom and only three studio units. The sale price of \$5,700,000 equates to an overall rate of 4.04%, with a 30.1% operating expense ratio. When land makes up the bulk of value, lower overall rates are the result.



Apartment Sale No. 13 is a three-storey 21-unit wood frame apartment in Kitsilano. The 12,000 square foot site is zoned RM-4, 1.45 FSR. The building has an elevator, both two-bedroom suites have two bathrooms and the condition was very good. Rents were believed to be below market, which influenced the overall rate; the \$4,000,000 estate sale closed in January 2006: 3.8% overall rate, 30.6% operating expense ratio, \$3,210 per unit. Rents were reportedly below market, thus depressing the overall rate.

Apartment Sale No. 14 is Carolina Court, a 41-unit three-storey frame apartment building in the Mount Pleasant neighbourhood of Vancouver. The 0.46-acre RM-4 zoned site can yield a maximum density of 1.45 FSR; however, the existing improvement likely represents full development of the site under present guidelines. The property sold in January of 2006 for \$4,250,000, after 84 days of marketing; 4.97% overall rate (33.7% operating expense ratio, \$2,613 per unit). The expenses as reported appear low, and this would inflate the overall rate.

Apartment Sale No. 15 is Fortune House, a 12-storey strata apartment high-rise located in Downtown Vancouver, southeast corner of Howe Street and Nelson Street. This is a 1980's office building that was converted to a strata-titled apartment building in the '90s. Comprised of 130 residential units and 8 retail units with a total net saleable/leasable area of 84,106 sq. ft., the top two floors contain eight luxury penthouse suites. The transaction closed at the end of March 2006, at a price of \$30,030,000, a value inflated by the strong marketplace for strata apartments. The overall rate of 3.37% requires an upward adjustment for this factor.

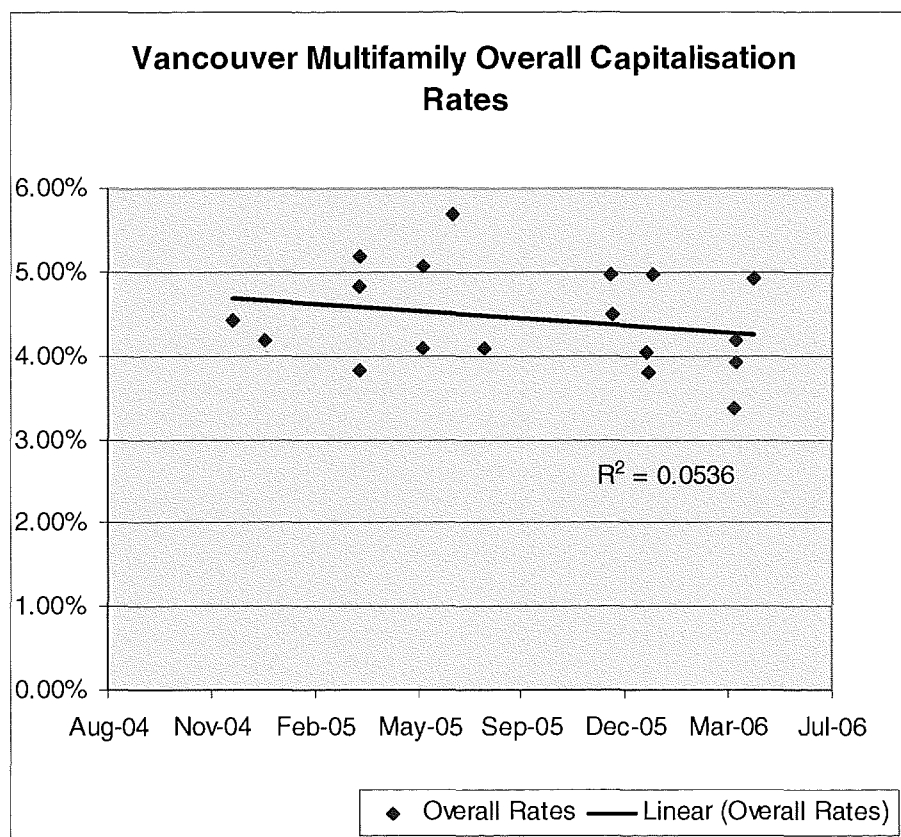
Apartment Sale No. 16 is an extensively renovated 27-suite three-storey apartment building on the south side of West 12th Avenue, west of Oak Street in Vancouver's Fairview neighbourhood, near transit. It occupies a 12,632 square foot RM-3 zoned site. The property sold in April of 2006 for \$5,200,000, yielding a 4.9% overall rate (29% operating expense ratio, \$3,856 a unit.) The extensive investment in renovations has led to quality units with high rents, and inflated the overall rate.

Pending Apartment Sale No. 17 is a three-storey frame apartment building on the northwest corner of West 14th Avenue and Spruce Street, in Fairview. It occupies an 18,731 square foot RM-3 zoned site. An offer in April of 2006 for \$5,900,000 reflects a 4.2% overall rate (\$3,297

expenses per unit, 30.0% of effective gross income).

Pending Apartment Sale No. 18 is a three-storey-plus-penthouse 30 unit frame apartment building in the 1300 block of West 11th Avenue, in Fairview. It occupies an 18,731 square foot site that is zoned RM-3 and comprises the bulk of value. An April 2006 offer to purchase for \$5,600,000 reflects a 3.9% overall rate, at a 32.6% operating expense ratio. Again, the high underlying land value likely depressed the overall rate.

The 18 indices presented traded between December 2004 and April 2006 at prices ranging from \$3,925,000 to \$30,030,000. We examined the data for a pattern of change over time. Plotting these sales on a graph suggests a modest decline, but variation within the data makes it difficult to quantify any specific adjustment.



Overall rates range from 3.4% to 4.7%, with a median and average of 4.31% and 4.45%, respectively. These rates include a rate of return on the land and building investment, as well as recapture of the depreciating improvement asset. All of the indicators require a negative adjustment to reflect a land-only lease situation, but as discussed above, some of the rates require upward adjustment for other factors.

Based on the above, after consideration for the existing strong market conditions, income characteristics, location and relative size, a realistic ground rental conversion rate will lie in the order of 3.75% to 4.25%. According, we adopt a rate of 4.0% for the purpose of the Rate-Times-Value method.

Market rent by the Rate-Times-Value method is estimated as follows:

$\$14,083,440 \text{ times } 4.0\% \text{ is } \mathbf{\$563,338}$

This rent is equivalent to \$11,267 per unit per year, and \$9.60 per square foot of building.

## **CERTIFICATION**

Re: 1073 Scantlings (VR442), Vancouver, British Columbia

We hereby certify that, except as otherwise noted in the preceding analysis, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal impartial, and unbiased professional analyses, opinions and conclusions;
- we have no present or prospective interest or bias in the subject property, and no personal interest or bias with respect to the parties involved;
- our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards;
- we have the knowledge and experience to complete this assignment competently;
- as of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for designated members and candidate members;
- no one provided significant professional assistance to the person signing this report; Andrea Franz assisted with factual research and report drafting.
- the undersigned personally inspected the subject property on April 21, 2006;
- based upon the data, analyses and conclusions contained herein, the annual net market rental value of the interest in the property described, as at May 1, 2006 is estimated at:

**FIVE HUNDRED AND SIXTY THREE THOUSAND, THREE HUNDRED AND THIRY  
EIGHT DOLLARS  
(\$563,338)**

**GROVER, ELLIOTT & CO. LTD.**

per:

Larry Dybvig, AACI, P.App. MAI

**ASSUMPTIONS AND LIMITING CONDITIONS**  
Re: 1073 Scantlings (VR442), Vancouver, British Columbia

Appendix 1

The only party who may rely on the opinions expressed in this report is the specified intended user, even where the report is for financing purposes. Where the intended user is a lender, its borrower and the loan insurer may also rely on this report. This report assumes that only the intended user specified herein will rely upon it, and only for the intended use stated herein. No one else may rely on this report without the written consent of the appraiser, which we may not provide retroactively. We expressly deny any legal liability for unauthorized reliance and for any other use.

When preparing an appraisal for lending purposes, appraisers do not investigate if the prospective loan and applicant satisfy prudent loan underwriting criteria. Correspondingly, we assume no responsibility for loans made where the borrower lacks the ability or motivation to repay the loan, or where the lender has not followed prudent lending practices. When we authorize a lender to rely on this report, we grant such authorization subject to the lender completing a thorough due diligence investigation, which reasonably concludes that the borrower has the intention and capacity to repay the loan.

The basis of the opinions and estimates herein is information gathered from various sources considered reliable and believed to be correct.

We assume no responsibility for factors relating to the legal description, state of title or for unapparent conditions of the property not brought to our attention that might affect value.

We have included plans and sketches for visual reference only. We cannot assume responsibility for the accuracy of such illustrations where the basis was third party sources.

The client or identified third parties provided figures in this report relating to land and floor areas unless stated otherwise. Incorrect land and floor areas could render our analysis and conclusions invalid.

The economic conditions and outlook current at the date of valuation form the basis of our opinions and conclusion of value. Because market conditions, including economic, social and political factors change rapidly, and, on occasion, without warning, it could be misleading to rely on the market value estimate expressed herein as of any other date except with the further advice from the appraiser, for which advice we will accept no responsibility unless made formally and confirmed in writing.

We undertook no investigation with the local zoning office, the fire department, the building inspector, the health department or any other government regulatory agency except as expressly described in this report. The subject property must comply with such government regulations. Any noncompliance may affect market value. Confirming compliance could require further investigations.

We were not provided with studies of hazardous materials or contaminated land, and we were not authorized to commission such studies. We therefore offer no opinion with respect to the status of the lands or soils. We assume no responsibility for any such conditions or for any specialized expertise or engineering knowledge required to discover, remove or eliminate them. We recommend retaining an expert in this field if doubt exists about the quality of the soils or groundwater.



The appraiser is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

Except as this report specifically notes otherwise, our conclusions presume that the appraised property is free and clear of all liens or encumbrances except normal mortgage financing. Our valuation excludes the cost to retire the mortgage obligation.

Our report presumes that adequate fire, peril and liability insurance are available to cover any reasonable use of the property, at costs and terms that have been typical over the years.

The liability of Grover, Elliott & Co. Ltd. for a claim related to professional service provided pursuant to this service in either contract negligent misrepresentation or tort, including the owner's, officers, employees or subcontractors of the firm is limited to the extent that such liability is covered by the Appraisal Institute of Canada's errors and omissions insurance in effect from time to time, which is available to indemnify the company and its appraisers at the time the claim is made and not more than two years after the services are rendered.

No one should rely on this report in any context other than that in which we present it. Use in excerpted or partial form could mislead.

Possession of this report, or a copy of it, does not carry the right to reproduction or publication, in full or in part. No one other than the identified intended user can use this report for its stated purpose. No one can use this report for any other purpose without our written consent. Exceptions exist for due process of law and for confidential review by the Appraisal Institutes of Canada and the United States.

Attendance at any legal proceedings with respect to this report, and any fees and expenses for preparation and attendance requires our prior agreement. However, neither this nor any other limiting condition is an attempt to limit the use that a judicial body might make of this report should it properly become evidence in duly constituted proceedings. In such a case, the judicial body will decide the use of the report that best serves the administration of justice.

This report is valid only if it bears the original signature of the author.

We cannot monitor changes to our reports once they leave our office, nor can we prevent changes, additions or deletions in copies of our reports. We recommend that people intending to rely on our report do so only after reading an original copy in its entirety. With the prior consent of our client, we will provide an original of this report.

## TITLE SEARCH

Appendix 2

Date: 06/05/05 TITLE SEARCH PRINT - VANCOUVER  
Requestor: (PA42625) GROVER, ELLIOTT & CO. LTD.  
TITLE - E14179

Time: 10:59:44  
Page: 001

VANCOUVER LAND TITLE OFFICE TITLE NO: E14179  
FROM TITLE NO: C65357

APPLICATION FOR REGISTRATION RECEIVED ON: 07 MARCH, 1977  
ENTERED: 05 APRIL, 1977

REGISTERED OWNER IN FEE SIMPLE:  
CITY OF VANCOUVER

TAXATION AUTHORITY:  
CITY OF VANCOUVER

DESCRIPTION OF LAND:  
PARCEL IDENTIFIER: 003-980-367  
STRATA LOT 9 FALSE CREEK LEASEHOLD STRATA PLAN VR. 419 TOGETHER WITH AN  
INTEREST IN THE COMMON PROPERTY IN PROPORTION TO THE UNIT ENTITLEMENT OF  
THE  
STRATA LOT AS SHOWN ON FORM 1.

### LEGAL NOTATIONS:

NOTICE OF INTEREST, BUILDERS LIEN ACT (S.3(2)), SEE BM249219  
FILED 1998-09-03

### CHARGES, LIENS AND INTERESTS:

#### NATURE OF CHARGE

CHARGE NUMBER	DATE	TIME
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#### LEASE

E88679	1977-12-08	11:27
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REGISTERED OWNER OF CHARGE:

GLADYS JUNE COX

E88679

REMARKS: ASSIGNMENT OF LEASE E12100 RECEIVED 24/02/1977  
14:44 CERTIFICATE OF LEASEHOLD TITLE 35703 ISSUED  
12/12/1977  
MODIFIED BY BG413576  
ASSIGNED TO BH413631 18 11 1994  
C OF C 35703 SURRENDERED 18 11 1994 SEE BH413631

#### LEASE

BG413576	1993-11-17	12:56
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REMARKS: MODIFICATION OF E12100

SEE E88679

ASSIGNED TO BH413631 18 11 1994

#### LEASE

BH413631	1994-11-18	14:51
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REGISTERED OWNER OF CHARGE:

GLADYS JUNE COX,

LYNDA JUNE STANDERWICK,

JOINT TENANTS

BH413631

CONTINUES ON PAGE 002

Date: 06/05/05 TITLE SEARCH PRINT - VANCOUVER  
Requestor: (PA42625) GROVER, ELLIOTT & CO. LTD.

Time: 10:59:44

Page: 002

TITLE - E14179

REMARKS: ASSIGNMENT OF E12100 REC'D 24 02 1977 @ 14 44  
SEE ALSO E88679 AND BG413576  
TRANSMITTED TO BH433911, 05/12/1994

LEASE

BH433911 1994-12-05 14:44

REGISTERED OWNER OF CHARGE:

LYNDA JUNE STANDERWICK

BH433911

REMARKS: TRANSMISSION OF E12100 REC'D 24/02/1977 @ 14:44  
SEE E88679, BG413576 AND BH413631  
TRANSFERRED TO BM93305  
1998/03/30

LEASE

BM93305 1998-03-30 14:55

REGISTERED OWNER OF CHARGE:

JUDITH LYNN GROBERMAN

BM93305

REMARKS: TRANSFER OF LEASE E12100 (REC'D: 1977/02/24 @  
14:44)  
(SEE ALSO E88679, BG413576, BH413631 AND BH433911)  
TRANSFERRED TO BR161705

LEASE

BR161705 2001-06-28 15:07

REGISTERED OWNER OF CHARGE:

CAROLYN JEAN FRASER

BR161705

REMARKS: TRANSFER OF E12100 RECEIVED 24/02/1977  
(SEE E88679, BG413576, BH413631,  
BH433911 AND BM93305)

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28,  
L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

\*\*\* CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN \*\*\*



# REGIONAL LOCATION

Appendix 3





MODIFICATION OF LEASE

Appendix 4

C 65368 L

MODIFICATION OF LEASE

THIS AGREEMENT made as of the 2<sup>nd</sup> day of May 1977, 41827

BETWEEN:

E 41827

CITY OF VANCOUVER

(herein called the "LESSOR")

OF THE FIRST PART

AND:

UNIVERSITY NON-PROFIT BUILDING SOCIETY

a society incorporated under the "Societies Act" of the Province of British Columbia with an office c/o Dr. N.J. Divinsky, 5689 McMaster Road, Vancouver, British Columbia. Certificate of Incorporation No. 10,644 (herein called the "LESSEE")

OF THE SECOND PART

AND:

BANK OF MONTREAL, a body corporate duly incorporated having its head office in the City of Montreal, in the Province of Quebec and authorized to lend money on the security of real or immovable property, and having a branch office at 595 Burrard Street, in the City of Vancouver, in the Province of British Columbia

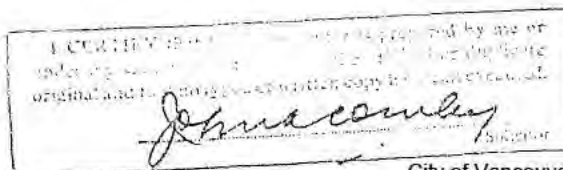
(herein called the "BANK")

OF THE THIRD PART

WHEREAS by a Ground Lease (herein called "the GROUND LEASE") dated the 17th day of May 1976 and registered in the Vancouver Land Registry Office under registration number D30247 and made between the LESSOR, as Lessor, and the LESSEE, as Lessee, the LESSOR did demise and lease unto the LESSEE those lands and premises lying and being in the City of Vancouver, in the Province of British Columbia, more particularly known and described as Lot 27, False Creek, Plan 16003 (herein called "the SAID LANDS");

AND WHEREAS by a mortgage (herein called "the MORTGAGE") made the 30th day of July 1976 and registered in the Vancouver Land Registry Office under registration number D50599 the LESSEE demised and subleased by way of mortgage unto the BANK, as mortgagee, all and singular the LESSOR'S interest in the SAID LANDS together with their appurtenance on the terms and conditions more particularly set forth in the MORTGAGE;

5073 0005.10 -- 1



VANCOUVER  
L.R.O. - B.C.  
Amended Paid 121

17 JUN 77

Date 17/7/77  
 Disposition of CF  
 As Co-Owner/Agent  
 Len Dept City of Vancouver  
 Address: 453 W. 12th Ave. Vancouver, B.C.  
 Telephone: 675-514  
 Please Merge  
 Return of Interest  
 Certificate for Form  
 D50599

JUN 17 2 29 1977  
 L.R.O. - B.C.



AND WHEREAS attached to the GROUND LEASE as Schedule "A" is a MODEL STRATA LOT LEASE which forms an integral part of the GROUND LEASE;

AND WHEREAS pursuant to Section 28.02 of the GROUND LEASE the LESSOR and the LESSEE have agreed to make the modifications to the GROUND LEASE and the MODEL STRATA LOT LEASE hereinafter appearing.

NOW THEREFORE and in consideration of the mutual covenants and agreements hereinafter contained and certain good and valuable consideration, the receipt of which is hereby acknowledged by each of the parties hereto:-

1. In this agreement, unless the context otherwise requires or unless otherwise specified herein, the fully capitalized terms which are defined in the GROUND LEASE shall have the meanings specified in Section 1.01 of the GROUND LEASE and the fully capitalized terms which are defined in the MODEL STRATA LOT LEASE shall have the meanings specified in Section 1.01 of the MODEL STRATA LOT LEASE.
2. The LESSOR and the LESSEE hereby covenant and agree each with the other that the GROUND LEASE shall be and the same is hereby amended as follows:-
  - (a) the second recital of the GROUND LEASE shall be and the same is hereby amended by deleting the words and figures "a term of sixty (50) years" from the second line thereof and substituting the words "the TERM (herein defined)" so that the recital shall read as follows:-

"AND WHEREAS the LESSOR has agreed to lease to the LESSEE the SAID LANDS for the TERM (herein defined) in order that the LESSEE may erect the BUILDINGS (herein defined) on the SAID LANDS and convert this lease under Section 53(2) of the STRATA TITLES ACT (herein defined) and use, occupy and enjoy the SAID LANDS and the BUILDINGS erected thereon for the term of this lease, all upon the terms and conditions and subject to the provisos herein contained;"

- (b) the habendum clause of the GROUND LEASE shall be and the same is hereby amended by deleting all of the words and figures of the clause appearing after the word "during" in the first line thereof and substituting the words "the TERM" so that the clause shall read as follows:-

"TO HAVE AND TO HOLD the SAID LANDS for and during the TERM."

- (c) the reddendum clause of the GROUND LEASE shall be and the same is hereby amended by deleting the phrase "in each and every of the years" from the first and second lines thereof so that the clause shall read as follows:-
- "YIELDING AND PAYING to the LESSOR during the TERM rent as hereinafter provided."
- (d) Section 1.01(s) of the GROUND LEASE shall be and the same is hereby amended by deleting the words and figures "sixty (60) year period" from the first line thereof and substituting the words and figures "period of sixty (60) years, and one hundred and thirty-seven (137) days" and by deleting all of the words and figures of the section appearing after the words "DATE FOR COMMENCEMENT OF RENTAL" in the second line thereof and substituting the words and figures "and ending on the 30th day of September, 2036" so that the section shall read as follows:-
- "TERM" means the period of sixty (60) years and one hundred and thirty-seven (137) days beginning on the DATE FOR COMMENCEMENT OF RENTAL and ending on the 30th day of September, 2036."
- (e) Section 1.01 of the GROUND LEASE shall be and the same is hereby amended by adding the following as section 1.01(v):-
- " SAID DATE" means 1 October, 1976;"
- (f) Section 2.01(a) of the GROUND LEASE shall be and the same is hereby amended by deleting all of the words and figures of the section appearing after the words "ending on" in the second line thereof and substituting the words and figures "30 November, 1976, the sum of One Dollar (\$1.00)" so that the section shall read as follows:-
- "for that portion of the TERM commencing on the date hereof and ending on 30 November 1976, the sum of One Dollar (\$1.00);"
- (g) Section 2.01(b) of the GROUND LEASE shall be and the same is hereby amended by deleting the words and figures "the SAID DATE the annual sum of Fifty Thousand, Seven Hundred and Sixty-five Dollars (\$50,765.00)" from the second, third and fourth lines thereof and substituting the words and figures "1 December 1976 the annual sum of Fifty-one Thousand, Six Hundred and Six Dollars (\$51,606.00)" so that the section shall read as follows:-



"for and during each year of the fourteen (14) year term (10) month period of the TERM commencing on 1 December 1976 and ending 30 September 1991 the annual sum of Fifty-one Thousand, Six Hundred and Six Dollars (\$51,606.00), and to pay such BASIC RENT in twelve (12) equal monthly instalments in advance on the first day of each and every month in each year during the said period of the TERM, provided however that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly as to the first and last months of the said period."

- (h) Section 2.01(c) of the GROUND LEASE shall be and the same is hereby amended by deleting the words and figures "Seventy-two Thousand, One Hundred and Forty Dollars (\$72,140.00)" from the third and fourth lines thereof and substituting the words and figures "Seventy-two Thousand, Nine Hundred and Eighty-four Dollars (\$72,984.00)" so that the section shall read as follows:-

"for and during each year of the fifteen (15) year period of the TERM commencing on the fifteenth (15th) anniversary of the SAID DATE, the annual sum of Seventy-two Thousand, Nine Hundred and Eighty-four Dollars (\$72,984.00), and to pay such BASIC RENT in twelve (12) equal monthly instalments in advance on the first day of each month in each year during the said fifteen (15) year period of the TERM, provided however that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly as to the first and last months of each year of the said fifteen (15) year period;"

- (i) Section 2.01(d) of the GROUND LEASE shall be and the same is hereby amended by deleting all of the words and figures of the section appearing after the word "TERM" in the thirty-seventh line thereof.

3. The LESSOR and the LESSEE hereby covenant and agree each with the other that the MODEL STRATA LOT LEASE shall be and the same is hereby amended as follows:-

- (a) the habendum clause of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the words and figures "and from thenceforth next ensuing and fully to be completed and ended on the day immediately preceding the sixtieth (60th) anniversary of the DATE FOR COMMENCEMENT OF RENTAL" so that the clause shall read as follows:-

"TO HAVE AND TO HOLD the STRATA LOT for and during the TERM commencing on the date of deposit of the LEASEHOLD STRATA PLAN (here defined) unless this lease shall be renewed under the provisions of Article XXIV."

- (b) the reddendum clause of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the phrase "in each and every of the years" from the first and second lines thereof so that the clause shall read as follows:-  
"YIELDING AND PAYING to the LESSOR during the TERM rent as hereinafter provided."
- (c) Section 1.01(g) of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by inserting after the word "years" in the sixth line thereof the words and figures "and one hundred and thirty-seven (137) days" so that the section shall read as follows:-  
" "GROUND LEASE" means that certain indenture of lease dated the 17th day of May 1976 and made between the City of Vancouver, as Lessor, and the University Non-Profit Building Society, as Lessee, for a term of sixty (60) years and one hundred and thirty-seven (137) days, the SAID LANDS;"
- (d) Section 1.01(1) of the MODEL STRATA LOT LEASE is deleted and the following substituted:-  
"(1) SAID DATE means 1 October 1976;"
- (e) Section 1.01(r) of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the words and figures "and ending on the day immediately preceding the sixtieth (60th) anniversary of the DATE FOR COMMENCEMENT OF RENTAL" from the third, fourth and fifth lines thereof so that the section shall read as follows:-  
"TERM" means the unexpired portion of the term of the GROUND LEASE commencing on the date of deposit of the LEASEHOLD STRATA PLAN, save and except as modified by Article XXIV:"
- (f) Section 2.01(b) of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting all of the words and figures of the section appearing after the word TERM in the forty-first line thereof.
- (g) Section 14.02(b) of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by inserting at the end thereof the following provision:-  
"PROVIDED FURTHER that the provisions of this section 14.02 (b) shall not relieve the LESSEE from any action, cause of action, suits, claims or demands for damages arising out of the negligent acts of the LESSEE, its servants, agents or contractors."

- (h) Section 15.01(a)(i) of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the date "31 March 1977" from the second line thereof and substituting "30 September 1977" so that the section shall read as follows:-

"no sublease shall be granted to any person, persons or corporation on or before 30 September 1977, other than the persons who satisfy the requirements set forth in the schedule attached to this lease as Schedule "D" which schedule forms part of this lease;"

- (i) Section 15.02(f) of the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the date "31 March 1977" from the second and third lines thereof and substituting "30 September 1977" so that the section shall read as follows:-

"no assignment of the STRATA LOT shall be made to any person, persons or corporation on or before 30 September 1977, other than those persons who satisfy the requirements set forth in Schedule "D";"

- (j) Schedule "C" to the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the schedule and substituting the Schedule "C" attached to this agreement.
- (k) Schedule "E" to the MODEL STRATA LOT LEASE shall be and the same is hereby amended by deleting the schedule and substituting the Schedule "E" attached to this agreement.

4. The LESSOR and the LESSEE hereby covenant and agree, each with the other, that the GROUND LEASE and the MODEL STRATA LOT LEASE as hereby amended shall continue in full force and effect and shall be binding upon them and that the GROUND LEASE, the MODEL STRATA LOT LEASE and this agreement shall henceforth have effect so far as practicable as if all the provisions of the GROUND LEASE, the MODEL STRATA LOT LEASE and this agreement were contained in the one instrument.
5. The BANK, as mortgagee named in the MORTGAGE, hereby acknowledges and confirms that the mortgage, pledge and charge of the GROUND LEASE created by the MORTGAGE shall be and the same is hereby postponed to and made subordinate to this agreement as if this agreement had been registered against the SAID LANDS prior to the registration of the MORTGAGE, notwithstanding that this agreement may be registered against the SAID LANDS subsequent to the registration of the MORTGAGE.

- 7 -

6. The schedules hereto shall form part of this agreement.
7. This agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute the one and the same instrument; and it shall not be necessary in proving the same to produce more than one such counterpart.

IN WITNESS WHEREOF the parties hereto have caused their common seals to be hereunto affixed in the presence of their proper officers hereto subscribing as of the day and year first above written.

Sealed with the Common Seal of )  
the CITY OF VANCOUVER and signed )  
by: )

*[Signature]* )  
Director of Legal Services )

The Common Seal of UNIVERSITY )  
NON-PROFIT BUILDING SOCIETY was )  
hereunto affixed in the presence )  
of: )

*N. Lumsden Pres.* )

*R. A. R. Treas.* )

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX )  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX )  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX )  
SIGNED, SEALED AND DELIVERED in )  
the presence of: )

\_\_\_\_\_  
D.E. WRIGHT  
Ste. 3 - 2533 Columbia St.  
Vancouver, B.C.  
\_\_\_\_\_  
MORTGAGE DOCUMENTS CLERK

BANK OF MONTREAL  
by its attorneys

*[Signature]*  
\_\_\_\_\_  
CREDIT MANAGER  
*[Signature]*  
\_\_\_\_\_  
MANAGER, MORTGAGE DEPARTMENT

(AS TO BOTH SIGNATURES)

32673



SCHEDULE "C"

This is the Schedule referred to in  
Section 15.01 and Section 15.02 of  
the MODEL STRATA LOT LEASE

For the purposes of paragraph (a)(ii) of section 15.01 and paragraphs (b), (c), (d) and (e) of section 15.02 of this lease the following BASIC RENT shall be payable:-

Section 1

- (a) For and during each year of that part of the unexpired residue of the TERM granted by any assignment ending on the day next preceding the fifteenth (15th) anniversary of the SAID DATE the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>
1	977.93	18	1065.87	35	775.64
2	1278.69	19	775.64	36	1065.87
3	883.86	20	1065.87	37	775.64
4	1187.30	21	946.25	38	1065.87
5	883.86	22	1232.97	39	775.64
6	1187.30	23	861.82	40	1065.87
7	883.86	24	1164.39	41	946.25
8	1187.30	25	861.82	42	1196.90
9	883.86	26	1164.39	43	1072.89
10	1187.30	27	775.64	44	1313.01
11	984.95	28	1065.87	45	883.80
12	1285.71	29	775.64	46	1072.01
13	894.58	30	1065.87	47	883.80
14	1178.42	31	1363.12	48	1072.01
15	596.26	32	1363.12	49	982.32
16	842.52	33	1363.12	50	1284.82
17	775.64	34	1363.12		
				Total ~	\$51,606.00

- (b) For and during each year of that part of the unexpired residue of the TERM granted by any assignment commencing on the fifteenth (15th) anniversary of the SAID DATE and ending on the day next preceding the thirtieth (30th) anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

SCHEDULE "C"

2

<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>
1	1383.04	18	1507.41	35	1096.95
2	1808.40	19	1096.95	36	1507.41
3	1250.00	20	1507.41	37	1096.95
4	1679.14	21	1338.23	38	1507.41
5	1250.00	22	1743.73	39	1096.95
6	1679.14	23	1218.83	40	1507.41
7	1250.00	24	1646.74	41	1338.23
8	1679.14	25	1218.83	42	1692.72
9	1250.00	26	1646.74	43	1517.34
10	1679.14	27	1096.95	44	1856.93
11	1392.97	28	1507.41	45	1249.92
12	1818.32	29	1096.95	46	1516.10
13	1264.89	30	1507.41	47	1249.92
14	1666.59	31	1927.80	48	1516.10
15	843.26	32	1927.80	49	1389.26
16	1191.54	33	1927.80	50	1817.09
17	1096.95	34	1927.80		

Total - \$72,984.00

- (c) The BASIC RENT payable pursuant to this formula shall be paid in twelve (12) equal monthly instalments in advance on the first day of each and every month in each year, PROVIDED HOWEVER that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly.

Save as aforesaid, if the LESSEE elects to use this formula, the provisions of sections 2.01 (b) and 2.01 (c) shall apply, mutatis mutandis, in respect to the unexpired residue of the TERM granted by any assignment.

Section 2

- (a) For and during each year of that part of the unexpired residue of the TERM granted by any assignment ending on the day next preceding the fifth (5th) anniversary of the SAID DATE the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

SCHEDULE "C"

3

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	977.93	18	1065.87	35	775.64
2	1278.69	19	775.64	36	1065.87
3	883.86	20	1065.87	37	775.64
4	1187.30	21	946.25	38	1065.87
5	883.86	22	1232.97	39	775.64
6	1187.30	23	861.82	40	1065.87
7	883.86	24	1164.39	41	946.25
8	1187.30	25	861.82	42	1196.90
9	883.86	26	1164.39	43	1072.89
10	1187.30	27	775.64	44	1313.01
11	984.95	28	1065.87	45	883.80
12	1285.71	29	775.64	46	1072.01
13	894.38	30	1065.87	47	883.80
14	1178.42	31	1363.12	48	1072.01
15	596.26	32	1363.12	49	982.32
16	842.52	33	1363.12	50	1284.82
17	775.64	34	1363.12		

Total - \$51,606.00

- (b) For and during each year of that part of the unexpired residue of the TERM granted by any assignment commencing on the fifth (5th) anniversary of the SAID DATE and ending on the day next preceding the tenth (10th) anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	1129.84	18	1231.43	35	896.12
2	1477.31	19	896.12	36	1231.43
3	1021.15	20	1231.43	37	896.12
4	1371.72	21	1093.23	38	1231.43
5	1021.15	22	1424.49	39	896.12
6	1371.72	23	995.69	40	1231.43
7	1021.15	24	1345.25	41	1093.23
8	1371.72	25	995.69	42	1382.81
9	1021.15	26	1345.25	43	1239.54
10	1371.72	27	896.12	44	1516.96
11	1137.95	28	1231.43	45	1021.09
12	1485.42	29	896.12	46	1238.53
13	1033.31	30	1231.43	47	1021.09
14	1361.47	31	1574.86	48	1238.53
15	688.87	32	1574.86	49	1134.89
16	973.39	33	1574.86	50	1484.40
17	896.12	34	1574.86		

Total - \$59,622.00



## SCHEDULE "C"

4

- (c) For and during each year of that part of the unexpired residue of the TERM granted by any assignment commencing on the tenth (10th) anniversary of the SAID DATE and ending on the day next preceding the fifteenth (15th) anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	1281.74	18	1397.00	35	1016.60
2	1675.93	19	1016.60	36	1397.00
3	1158.44	20	1397.00	37	1016.60
4	1556.15	21	1240.21	38	1397.00
5	1158.44	22	1616.00	39	1016.60
6	1556.15	23	1129.55	40	1397.00
7	1158.44	24	1526.12	41	1240.21
8	1556.15	25	1129.55	42	1568.73
9	1158.44	26	1526.12	43	1406.19
10	1556.15	27	1016.60	44	1720.91
11	1290.94	28	1397.00	45	1158.37
12	1685.13	29	1016.60	46	1405.04
13	1172.23	30	1397.00	47	1158.37
14	1544.51	31	1786.59	48	1405.04
15	781.49	32	1786.59	49	1287.48
16	1104.26	33	1786.59	50	1683.96
17	1016.60	34	1786.59		
					Total - \$67,638.00

- (d) For and during each year of that part of the unexpired residue of the TERM granted by any assignment commencing on the fifteenth (15th) anniversary of the SAID DATE and ending on the day next preceding the thirtieth (30th) anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	1383.04	18	1507.41	35	1096.95
2	1808.40	19	1096.95	36	1507.41
3	1250.00	20	1507.41	37	1096.95
4	1679.14	21	1338.23	38	1507.41
5	1250.00	22	1743.73	39	1096.95
6	1679.14	23	1218.83	40	1507.41
7	1250.00	24	1646.74	41	1338.23
8	1679.14	25	1218.83	42	1692.72
9	1250.00	26	1646.74	43	1517.34
10	1679.14	27	1096.95	44	1856.93
11	1392.97	28	1507.41	45	1249.92
12	1818.32	29	1096.95	46	1516.10
13	1264.89	30	1507.41	47	1249.92
14	1666.59	31	1927.80	48	1516.10
15	843.26	32	1927.80	49	1389.26
16	1191.54	33	1927.80	50	1817.09
17	1096.95	34	1927.80		
					Total - \$72,984.00

SCHEDULE "C"

5

- (e) The BASIC RENT payable pursuant to this formula shall be paid in twelve (12) equal monthly instalments in advance on the first day of each and every month in each year, PROVIDED HOWEVER that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly.

Save as aforesaid, if the LESSEE elects to use this formula, the provisions of sections 2.01 (b) and 2.01 (c) shall apply, mutatis mutandis, in respect to the unexpired residue of the TERM granted by any assignment.

Section 3

- (a) For and during each year of that part of the unexpired residue of the TERM granted by any assignment ending on the day next preceding the fifth (5th) anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:

<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>
1	1231.14	18	1341.85	35	976.47
2	1609.78	19	976.47	36	1341.85
3	1112.71	20	1341.85	37	976.47
4	1494.72	21	1191.25	38	1341.85
5	1112.71	22	1552.21	39	976.47
6	1494.72	23	1084.97	40	1341.85
7	1112.71	24	1465.87	41	1191.25
8	1494.72	25	1084.97	42	1506.80
9	1112.71	26	1465.87	43	1350.68
10	1494.72	27	976.47	44	1652.98
11	1239.98	28	1341.85	45	1112.64
12	1618.61	29	976.47	46	1349.58
13	1125.96	30	1341.85	47	1112.64
14	1483.54	31	1716.06	48	1349.58
15	750.64	32	1716.06	49	1236.67
16	1060.67	33	1716.06	50	1617.52
17	976.47	34	1716.06		

Total - \$64,968.00

- (b) For and during each year of that part of the unexpired residue of the TERM granted by any assignment commencing on the fifth (5th) anniversary of the SAID DATE and ending on the day next preceding the fifteenth (15th)

## SCHEDULE "C"

6

anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	1332.34	18	1452.14	35	1056.73
2	1742.09	19	1056.73	36	1452.14
3	1204.17	20	1452.14	37	1056.73
4	1617.58	21	1289.17	38	1452.14
5	1204.17	22	1679.80	39	1056.73
6	1617.58	23	1174.14	40	1452.14
7	1204.17	24	1586.36	41	1289.17
8	1617.58	25	1174.14	42	1630.65
9	1204.17	26	1586.36	43	1461.70
10	1617.58	27	1056.73	44	1788.85
11	1341.90	28	1452.14	45	1204.09
12	1751.65	29	1056.73	46	1460.51
13	1218.51	30	1452.14	47	1204.09
14	1605.48	31	1857.12	48	1460.51
15	812.34	32	1857.12	49	1338.29
16	1147.85	33	1857.12	50	1750.44
17	1056.73	34	1857.12		

Total - \$70,308.00

- (c) For and during each year of that part of the unexpired residue of the TERM granted by any assignment commencing on the fifteenth (15th) anniversary of the SAID DATE and ending on the day next preceding the thirtieth (30th) anniversary of the SAID DATE, the annual sums set forth opposite the hereinafter designated STRATA LOTS:-

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	1383.04	18	1507.41	35	1026.95
2	1808.40	19	1096.95	36	1507.41
3	1250.00	20	1507.41	37	1096.95
4	1679.14	21	1339.23	38	1507.41
5	1250.00	22	1743.73	39	1096.95
6	1679.14	23	1218.83	40	1507.41
7	1250.00	24	1646.74	41	1338.23
8	1679.14	25	1218.83	42	1692.72
9	1250.00	26	1646.74	43	1517.34
10	1679.14	27	1096.95	44	1856.93
11	1392.97	28	1507.41	45	1249.92
12	1818.32	29	1096.95	46	1516.10
13	1264.89	30	1507.41	47	1249.92
14	1666.59	31	1927.80	48	1516.10
15	843.26	32	1927.80	49	1389.26
16	1191.54	33	1927.80	50	1817.09
17	1096.95	34	1927.80		

Total - \$72,984.00



SCHEDULE "C"

7

- (d) The BASIC RENT payable pursuant to this formula shall be paid in twelve (12) equal monthly instalments in advance on the first day of each and every month in each year, PROVIDED HOWEVER that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly.

Save as aforesaid, if the LESSEE elects to use this formula, the provisions of sections 2.01 (b) and 2.01 (c) shall apply, mutatis mutandis, in respect to the unexpired residue of the TERM granted by any assignment.

SCHEDULE "E"

This is the Schedule referred to in Paragraph (a) of  
Section 2.01 of the MODEL STRATA LOT LEASE

The BASIC RENT payable and to be paid by the original  
LESSEE for each of STRATA LOTS numbered 1 to 50 pursuant to  
paragraph (a) of section 2.01 of this lease is as follows:-

- (a) For and during each year of the TERM commencing on the  
date of the deposit of the LEASEHOLD STRATA PLAN in the  
Vancouver Land Registry Office and ending on the day  
next preceding the fifteenth (15th) anniversary of the  
SAID DATE, the annual sums set forth opposite the here-  
inafter designated STRATA LOTS:-

Strata Lot	Annual Rent	Strata Lot	Annual Rent	Strata Lot	Annual Rent
1	977.93	18	1065.87	35	775.64
2	1278.69	19	775.64	36	1065.87
3	883.86	20	1065.87	37	775.64
4	1187.30	21	946.25	38	1065.87
5	883.86	22	1232.97	39	775.64
6	1187.30	23	861.82	40	1065.87
7	883.86	24	1164.39	41	946.25
8	1187.30	25	861.82	42	1196.90
9	883.86	26	1164.39	43	1072.89
10	1187.30	27	775.64	44	1313.01
11	984.95	28	1065.87	45	883.80
12	1285.71	29	775.64	46	1072.01
13	894.38	30	1065.87	47	883.80
14	1178.42	31	1363.12	48	1072.01
15	596.26	32	1363.12	49	982.32
16	842.52	33	1363.12	50	1284.82
17	775.64	34	1363.12		

Total - \$51,606.00

- (b) For and during each year of the fifteen year period of  
the TERM commencing on the fifteenth (15th) anniversary  
of the SAID DATE and ending on the day next preceding  
the thirtieth (30th) anniversary of the SAID DATE, the  
annual sums set forth opposite the hereinafter designated  
STRATA LOTS:-



SCHEDULE "E"

2

<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>	<u>Strata</u> <u>Lot</u>	<u>Annual</u> <u>Rent</u>
1	1383.04	18	1507.41	35	1096.95
2	1808.40	19	1096.95	36	1507.41
3	1250.00	20	1507.41	37	1096.95
4	1679.14	21	1338.23	38	1507.41
5	1250.00	22	1743.73	39	1096.95
6	1679.14	23	1218.83	40	1507.41
7	1250.00	24	1646.74	41	1338.23
8	1679.14	25	1218.83	42	1692.72
9	1250.00	26	1646.74	43	1517.34
10	1679.14	27	1096.95	44	1856.93
11	1392.97	28	1507.41	45	1249.92
12	1818.32	29	1096.95	46	1516.10
13	1264.89	30	1507.41	47	1249.92
14	1666.59	31	1927.80	48	1516.10
15	843.26	32	1927.80	49	1389.26
16	1191.54	33	1927.80	50	1817.09
17	1096.95	34	1927.80		

Total - \$72,984.00

(c) The BASIC RENT payable pursuant to this Schedule "E" shall be paid in twelve (12) equal monthly instalments in advance on the first day of each and every month in each year, PROVIDED HOWEVER that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly.

Save as aforesaid the provisions of sections 2.01(b) and 2.01(c) shall apply, mutatis mutandis, in respect to the TERM.

41021

ACKNOWLEDGMENT OF OFFICER OF A CORPORATION

I HEREBY CERTIFY that on the 16<sup>th</sup> day of June 1977, at the City of Vancouver, in the Province of British Columbia, CHARLES S. FLEMING, personally known to me, appeared before me and acknowledged that he is the Director of Legal Services of the CITY OF VANCOUVER and that he is the person who subscribed his name to the annexed instrument as Director of Legal Services of the CITY OF VANCOUVER and affixed the seal of the CITY OF VANCOUVER to the said instrument, that he was first duly authorized to subscribe his name as aforesaid and affix the said seal to the said instrument and that the CITY OF VANCOUVER is legally entitled to hold and dispose of land in the Province of British Columbia.

IN TESTIMONY WHEREOF I have herunto set my hand at the City of Vancouver, in the Province of British Columbia, this 16<sup>th</sup> day of June, 1977.

John Macaulay  
A Commissioner for taking Affidavits  
for the Province of British Columbia

STATUTORY DECLARATION OF ATTORNEY

GUNTHER R. MUNZEL

WE, CREDIT MANAGER  
GEORGE L. M. PURDIE

and MANAGER, MORTGAGE DEPARTMENT

of the City of Vancouver, in the Province of British Columbia,  
DO SOLEMNLY DECLARE:

1. That we are the attorneys for Bank of Montreal.
2. That we are the persons who subscribed the name of Bank of Montreal in the annexed instrument as the maker thereof.
3. That at the time of execution of the said instrument the power of attorney had not been revoked by or on behalf of Bank of Montreal, and we have not received any notice or information of the bankruptcy or dissolution of Bank of Montreal.
4. That we know the contents of the said instrument and subscribed the name of the said Bank of Montreal thereto voluntarily as the free act and deed of the said Bank of Montreal.

AND we make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act.

SEVERALLY DECLARED before me  
at the City of Vancouver, in  
the Province of British  
Columbia, this 2<sup>nd</sup> day of  
MAY, 1947.

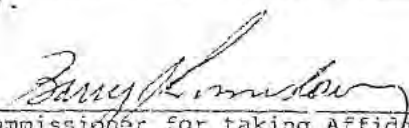
A Commissioner for taking  
Affidavits for British  
Columbia  
ROSLAV F. MICHAEL HERMANN

Sworn to before me  
12th March 1947  
195 Brought Street  
Vancouver, Canada V7X 1K9

ACKNOWLEDGMENT OF OFFICER OF A CORPORATION

I HEREBY CERTIFY that on the 7<sup>th</sup> day of March 1977, at the City of Vancouver, in the Province of British Columbia, Nathan Joseph Drinsky personally known to me, appeared before me and acknowledged that he is the President of UNIVERSITY NON-PROFIT BUILDING SOCIETY, and that he is the person who subscribed his name to the annexed instrument as President of UNIVERSITY NON-PROFIT BUILDING SOCIETY, and affixed the seal of UNIVERSITY NON-PROFIT BUILDING SOCIETY to the said instrument, that he was first duly authorized to subscribe his name as aforesaid and affix the said seal to the said instrument and that UNIVERSITY NON-PROFIT BUILDING SOCIETY is legally entitled to hold and dispose of land in the Province of British Columbia.

IN TESTIMONY WHEREOF I have hereunto set my hand at the City of Vancouver, in the Province of British Columbia, this 7<sup>th</sup> day of March, 1977.

  
A Commissioner for taking Affidavits  
for the Province of British Columbia





MODIFICATION OF LEASE

Appendix 5

57147

AUG 11 2 31 PM '77

LAND REGISTRY OFFICE  
VANCOUVER

E 57147

5368-L

FORM G. LAND REGISTRY ACT  
SECTION 501  
MEMORANDUM OF REGISTRATION  
REGISTERED

AUG 16 1977

on application received at the time  
written or stamped on the application  
D. H. STURCH, REGISTRAR  
VANCOUVER LAND REGISTRATION DISTRICT

MODIFICATION OF LEASE

THIS AGREEMENT made as of the 2nd day of August  
, 1977,

BETWEEN:

CITY OF VANCOUVER

(herein called the "LESSOR")

OF THE FIRST PART

AND:

UNIVERSITY NON-PROFIT BUILDING SOCIETY

a society incorporated under the  
"Societies Act" of the Province of  
British Columbia with an office  
c/o Dr. N.J. Divinsky,  
5685 McMaster Road,  
Vancouver, British Columbia.  
Certificate of Incorporation No. 10,644

(herein called the "LESSEE")

OF THE SECOND PART

AND:

BANK OF MONTREAL, a body corporate  
duly incorporated having its head  
office in the City of Montreal, in  
the Province of Quebec and authorized  
to lend money on the security of real  
or immovable property, and having a  
branch office at 595 Burrard Street,  
in the City of Vancouver, in the  
Province of British Columbia

(herein called the "BANK")

OF THE THIRD PART

WHEREAS by a Ground Lease (herein called "the  
GROUND LEASE") dated the 17th day of May, 1976

I CERTIFY that this document was prepared by me or  
under my supervision. It is the original or duplicate  
original and the copy or other copy has been executed.

*John A. Cowley*  
Registrar

VANCOUVER  
LAND REGISTRY  
DISTRICT

and registered in the Vancouver Land Registry Office under registration number D30247 and made between the LESSOR, as Lessor, and the LESSEE, as Lessee, the LESSOR did demise and lease unto the LESSEE those lands and premises lying and being the City of Vancouver, in the Province of British Columbia, more particularly known and described as Lot 27, False Creek, Plan 16003 (herein called "the SAID LANDS");

AND WHEREAS by a mortgage (herein called "the MORTGAGE") made the 30th day of July, 1976 and registered in the Vancouver Land Registry Office under registration number D50599 the LESSEE demised and subleased by way of mortgage unto the BANK, as mortgagee, all and singular the LESSEE's interest in the SAID LANDS together with their appurtenance on the terms and conditions more particularly set forth in the MORTGAGE;

AND WHEREAS by an agreement made as of the 2nd day of May, 1977, and registered in the Vancouver Land Registry Office under registration number E41827 and made between the LESSOR, as lessor, the LESSEE, as lessee, and the BANK, as the bank, the GROUND LEASE was modified as therein more particularly set forth.

AND WHEREAS attached to the GROUND LEASE as Schedule "A" is a MODEL STRATA LOT LEASE which forms an integral part of the GROUND LEASE.

AND WHEREAS pursuant to Section 28.02 of the GROUND LEASE the LESSOR and the LESSEE have agreed to make a further modification to the GROUND LEASE and the MODEL STRATA LOT LEASE as hereinafter appears.

NOW THEREFORE and in consideration of the mutual covenants and agreements hereinafter contained and certain good and valuable consideration, the receipt of which is hereby acknowledged by each of the parties hereto:-

1. In this agreement, unless the context otherwise requires or unless otherwise specified herein, the fully capitalized terms which are defined in the GROUND LEASE shall have the meanings specified in Section 1.01 of the GROUND LEASE and the fully

capitalized terms which are defined in the MODEL STRATA LOT LEASE shall have the meanings specified in Section 1.01 of the MODEL STRATA LOT LEASE.

2. The LESSOR and the LESSEE hereby covenant and agree each with the other that the MODEL STRATA LOT LEASE as heretofore modified and amended (being schedule "A" to the GROUND LEASE) is hereby further amended by deleting schedule "B" thereto and substituting the schedule "B" attached to this agreement.
3. The LESSOR and the LESSEE hereby covenant and agree, each with the other, that the GROUND LEASE and the MODEL STRATA LOT LEASE as hereby further amended shall continue in full force and effect and shall be binding upon them and that the GROUND LEASE, the MODEL STRATA LOT LEASE and this agreement shall henceforth have effect so far as practicable as if all the provisions of the GROUND LEASE, the MODEL STRATA LOT LEASE and this agreement were contained in the one instrument.
4. The BANK, as mortgagee named in the MORTGAGE, hereby acknowledges and confirms that the mortgage, pledge and charge of the GROUND LEASE created by the MORTGAGE shall be and the same is hereby postponed to and made subordinate to this agreement as if this agreement had been registered against the SAID LANDS prior to the registration of the MORTGAGE, notwithstanding that this agreement may be registered against the SAID LANDS subsequent to the registration of the MORTGAGE.
5. The schedule hereto shall form part of this agreement.
6. This agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute the one and the same instrument; and it shall not be necessary in proving the same to produce more than one such counterpart.

IN WITNESS WHEREOF the parties hereto have caused their common seals to be hereunto affixed in the presence of



their proper officers hereto subscribing as of the day  
and year first above written.

Sealed with the Common Seal of  
the CITY OF VANCOUVER and signed  
by:

Assistant John A. Cowley  
Director of Legal Services

The Common Seal of UNIVERSITY  
NON-PROFIT BUILDING SOCIETY was  
hereunto affixed in the presence  
of:

Nathan L. Swinsky  
President

IN WITNESS WHEREOF Bank of Montreal has caused these  
presents to be executed by its duly authorized attorneys at  
Vancouver, British Columbia this 7<sup>th</sup> day of August 1977.

SIGNED, SEALED AND  
DELIVERED in the  
presence of:

M. B. Johnson  
MR. JOHNSON  
STE. 192-1075 WEST 13th AVE.  
VANCOUVER, B.C.  
MORTGAGE DOCUMENTS CLERK

BANK OF MONTREAL  
by its attorneys

[Signature]  
CREDIT MANAGER

[Signature]  
MANAGER, MORTGAGE DEPARTMENT

28682



SCHEDULE "B"

57037

This is the schedule referred to in section  
15.02(a) of the MODEL STRATA LOT LEASE

ASSIGNMENT

THIS INDENTURE made the       day of  
197 ,

BETWEEN:

(hereinafter called the "Vendor")

AND:

OF THE FIRST PART

(hereinafter called the "Purchaser")

AND:

OF THE SECOND PART

CITY OF VANCOUVER

(hereinafter called the "City")

OF THE THIRD PART

WHEREAS:

A. By a Ground Lease dated the 17th day of May, 1976, the City, as lessor, demised and leased to the University Non-Profit Building Society, as lessee, those lands in the City of Vancouver, in the Province of British Columbia, more particularly known and described as Lot 27, False Creek, Plan 16003, registered in the Vancouver Land Registry Office under registration number D30247 for a term of sixty (60) years and one hundred and thirty-seven (137) days ending on 30 September, 2036, on the terms and conditions therein contained and modified and amended by agreements dated the 2nd day of May, 1977 and the       day of       , 197 , respectively and made between the City, as lessor, University Non-Profit Building Society, as lessee, and the Bank of Montreal and registered in the Vancouver Land Registry Office under registration numbers E41827 and       respectively, (which Ground Lease and Agreements are hereinafter collectively called "the Ground Lease").

B. The University Non-Profit Building Society subdivided the lands hereinbefore described into strata lots by the deposit of a leasehold strata plan in the Vancouver Land Registry Office in accordance with the provisions of the Strata Titles Act, Chapter

S9, S.B.C. 1974, and the Land Registry Act, Chapter 208, R.S.B.C. 1960;

C. The University Non-Profit Building Society has deposited the said leasehold strata plan in the Vancouver Land Registry Office and the Vancouver Land Registrar has issued in the name of the City, the registered owner in fee simple of the said land included in the leasehold strata plan, new certificates of title to each of the strata lots shown upon the leasehold strata plan;

D. The deposit of the said leasehold strata plan converted the Ground Lease into individual leases in the name of the University Non-Profit Building Society in respect of the interest of the City in each strata lot including its share in the common property, at a rent premium or other consideration, and subject to the applicable terms and conditions contained in the Ground Lease and in the model strata lot lease attached thereto and to the provisions of the said Strata Titles Act and the regulations thereto (the model strata lot lease being hereinafter referred to as the "lease");

E. The Vendor, at the request of the Purchaser, has agreed to assign to the Purchaser for the sum of \$ \_\_\_\_\_ the Vendor's interest in:

Lot \_\_\_\_\_, False Creek  
Leasehold Strata Plan Vr \_\_\_\_\_  
together with an interest in the common  
property in proportion to the unit entitlement  
shown on Form 1 of the Strata Plan

(hereinafter called the "Strata Lot")

for all the residue now unexpired of the said term subject to the rent hereinafter reserved and to the performance and observance of the covenants on the part of the Lessee and the conditions contained in the lease so far as the same relate to the Strata Lot.

F. The City hereby consents to this assignment.

NOW THIS INDENTURE WITNESSETH as follows:-

1. In consideration of the sum of \$ \_\_\_\_\_ paid by the Purchaser to the Vendor (the receipt whereof is hereby by the Vendor acknowledged), the Vendor as beneficial owner hereby assigns to the Purchaser the Vendor's interest in the strata lot. TO HOLD unto the Purchaser for all the residue now unexpired of the term of the lease subject henceforth to the performance and observance of the covenants on the part of the Vendor, as lessee, and the conditions contained in the

lease so far as the same relate to the strata lot SAVE AND 57147  
EXCEPT THAT

(a) instead of the Purchaser paying to the City the rent payable under section 2.01(a) of the lease the Purchaser covenants and agrees to pay to the City during all the residue now unexpired of the term of the lease, the rent set forth in section of schedule "C" to the lease, a copy of which schedule is attached hereto for the convenience of the parties, and

(b) where the Purchaser is paying to the City rent set forth in section 1 of schedule "C" to the lease and subsequently becomes ineligible for financial assistance under the provisions of the Department of Housing Act, S.B.C. 1973, Chapter 110, and amendments thereto, then during the residue unexpired of the term of the lease as and from the date of ineligibility for such assistance, the Purchaser shall pay to the City and covenants and agrees with the City to pay to the City rent determined and payable in accordance with section 2 of schedule "C" to the lease commencing in the period thereof in which the date of ineligibility falls. Notwithstanding that the Purchaser again becomes eligible for financial assistance under the Department of Housing Act aforesaid, the Purchaser shall continue to pay to the City the rent set forth in section 2 of schedule "C" to the lease.

2. The Purchaser covenants with the Vendor and the City and each of them that the Purchaser shall during all the residue now unexpired of the term of the lease and every renewal thereof, observe and perform the covenants on the part of the lessee and the conditions contained in the lease as fully and effectually as if the lease contained a separate demise of the strata lot at the rent referred to in paragraph 1.

3. The Purchaser covenants with the Vendor and the City and each of them to indemnify the Vendor and the City and each of them against all actions, suits, costs, expenses, charges, damages, losses, claims and demands for or on account of non-payment of the rent referred to in paragraph 1 and the non-performance or non-observance of the said covenants and conditions so far as the same relate to the strata lot.

4. The Vendor covenants with the Purchaser that the lease so far as it relates to the strata lot is a valid and subsisting lease, that the covenants, provisos and conditions thereof on the part of the lessee have been duly observed and performed up to the date hereof, that the Vendor is entitled to grant this assignment, that subject to the payment of the rent



referred to in paragraph 1 and the observance and performance of the covenants and conditions of the lease, the Purchaser may enjoy the strata lot for all the residue now unexpired of the term of the lease and any renewal thereof, without interruption by the Vendor or any person claiming through the Vendor and that the Vendor and the City shall at all times hereafter at the request and cost of the Purchaser, execute such further assurance in respect of this assignment as the assignee may reasonably require.

5. The Purchaser acknowledges to the Vendor and the City that the Purchaser has had the opportunity to read the contents of the Ground Lease including the model strata lot lease attached thereto.

6. It is hereby agreed by the parties hereto that this assignment shall enure to the benefit of and be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns respectively.

IN WITNESS WHEREOF the parties hereto have hereunto executed this Indenture.

2866w  
The Common Seal of )  
was hereunto affixed in the )  
presence of: )  
\_\_\_\_\_)  
\_\_\_\_\_)


SIGNED, SEALED AND DELIVERED )  
in the presence of: )  
\_\_\_\_\_)  
\_\_\_\_\_)

SEALED with the Common Seal )  
of the CITY OF VANCOUVER and )  
signed by: )  
\_\_\_\_\_)  
Director of Legal Services )

ACKNOWLEDGMENT OF OFFICER OF A CORPORATION

I HEREBY CERTIFY that on the 11th day of August 1977, at the City of Vancouver, in the Province of British Columbia, JOHN A. COWLEY, personally known to me, appeared before me and acknowledged that he is <sup>Assistant</sup> the/Director of Legal Services of the CITY OF VANCOUVER and that he is the person who subscribed his name to the annexed instrument as <sup>Assistant</sup> /Director of Legal Services of the CITY OF VANCOUVER and affixed the seal of the CITY OF VANCOUVER to the said instrument, that he was first duly authorized to subscribe his name as aforesaid and affix the said seal to the said instrument and that the CITY OF VANCOUVER is legally entitled to hold and dispose of land in the Province of British Columbia.

IN TESTIMONY WHEREOF I have herunto set my hand at the City of Vancouver, in the Province of British Columbia, this 11th day of August, 1977.

  
A Commissioner for taking Affidavits  
for the Province of British Columbia

• *Journal of the American Medical Association*

We, **GUNTHER R. MUNZEL** **GEORGE I.M. PURDIE**  
**CREDIT MANAGER** and **MANAGER, MORTGAGE DEPARTMENT**  
of the City of Vancouver, in the Province of British  
Columbia, do solemnly declare:

1. That we are the attorneys for Bank of Montreal.
2. That we are the persons who subscribed the name of Bank of Montreal in the annexed instrument as the maker thereof.
3. That at the time of the execution of the said instrument the power of attorney had not been revoked by or on behalf of Bank of Montreal, and we have not received any notice or information of the bankruptcy or dissolution of Bank of Montreal.
4. That we know the contents of the said instrument and subscribed the name of the said Bank of Montreal thereto voluntarily as the free act and deed of the said Bank of Montreal.

And we make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act.

SEVERALLY DECLARED before  
me at the City of Vancouver in  
the Province of British Columbia,  
this 4<sup>th</sup> day of June,  
1977.

A Commissioner for taking affidavits  
for British Columbia.  
~~A Notary Public in and for the~~  
Province of British Columbia.

286802




57147

ACKNOWLEDGMENT OF OFFICER OF A CORPORATION

I HEREBY CERTIFY that on the 4th day of July, 1977, at the City of Vancouver, in the Province of British Columbia, NATHAN DIVINSKY personally known to me, appeared before me and acknowledged that he is the President of UNIVERSITY NON-PROFIT BUILDING SOCIETY, and that he is the person who subscribed his name to the annexed instrument as President of UNIVERSITY NON-PROFIT BUILDING SOCIETY, and affixed the seal of UNIVERSITY NON-PROFIT BUILDING SOCIETY to the said instrument, that he was first duly authorized to subscribe his name as aforesaid and affix the said seal to the said instrument and that UNIVERSITY NON-PROFIT BUILDING SOCIETY is legally entitled to hold and dispose of land in the Province of British Columbia.

IN TESTIMONY WHEREOF I have hereunto set my hand at the City of Vancouver, in the Province of British Columbia, this 4th day of July, 1977.

  
A Commissioner for taking Affidavits  
for the Province of British Columbia





# GROUND LEASE AGREEMENT

Appendix 6

OFFICE

172

718 MAY 21 PM 2:30

30247  
C 653682

LAND RETURNED TO  
VANCOUVER, B.C.

Substitute for form

C

5, 2188

Date MAY 21 1976 Nature of Interest LEASE  
 Estimated value 400,000.00 Division of C.T. LRO  
 Where made — Applicant Barry Kinnear  
 Telephone number 606-1151 as Solicitor for D 30247  
 British Columbia Land Development Company,  
 650 West Georgia St.,  
 Vancouver 1, B.C.

\* Market value of leased land

## GROUND LEASE

D 30247

BETWEEN:

CITY OF VANCOUVER

LESSOR

AND:

UNIVERSITY NON-PROFIT BUILDING SOCIETY

LESSEE

80247

no May 21 1976 LEASE  
 dated May 21 1976  
 between City of Vancouver  
 and University Non-Profit Building Society  
 Telephone number 681-1111  
 City of Vancouver  
 Vancouver, B.C.

FORM G, LAND REGISTRY ACT  
 (SECTION 50)  
 MEMORANDUM OF REGISTRATION  
 REGISTERED

D 30247

MAY 25 1976

on this day of May 1976 at the time  
 written or stamped on the application  
 D. H. STARCH, REGISTRAR  
 VANCOUVER LAND REGISTRATION DISTRICT

GROUND LEASE

THIS INDENTURE made as of the 17<sup>th</sup> day of May  
 1976,

BETWEEN:

CITY OF VANCOUVER

(herein called the "LESSOR")

OF THE FIRST PART

AND:

UNIVERSITY NON-PROFIT BUILDING SOCIETY  
 a society incorporated under the  
 "Societies Act" of the Province of  
 British Columbia with an office  
 c/o Dr. N. J. Divinsky,  
 5689 McMaster Road,  
 Vancouver, British Columbia.  
 Certificate of Incorporation No. 10,644  
 (herein called the "LESSEE")

OF THE SECOND PART

WHEREAS the LESSOR is the owner of the SAID LANDS  
 (herein defined);

AND WHEREAS the LESSOR has agreed to lease to the

By \$3600.00 From Tapa J. Lube 1976 4005.00

I CERTIFY that this document was prepared by me or  
 under my supervision, that the duplicate  
 original and that no copy has been executed.

John A. Lowley  
 Solicitor

VANCOUVER  
 "L.R.O." "B.C.G."  
 AMOUNT PAID (1)



LESSEE the SAID LANDS for a term of sixty (60) years in order that the LESSEE may erect the BUILDINGS (herein defined) on the SAID LANDS and convert this lease under section 53(2) of the STRATA TITLES ACT (herein defined) and use, occupy and enjoy the SAID LANDS and the BUILDINGS erected thereon for the term of this lease, all upon the terms and conditions and subject to the provisos herein contained;

NOW THIS INDENTURE WITNESSES that in consideration of the rents, covenants and agreements hereinafter reserved and contained and on the part of the LESSEE to be paid, observed and performed, the LESSOR has demised and leased and by these presents does demise and lease unto the LESSEE and the LESSEE does hereby take and rent upon and subject to the conditions hereinafter expressed the SAID LANDS.

*See  
definition*

TO HAVE AND TO HOLD the SAID LANDS for and during the term of sixty (60) years commencing on the DATE FOR COMMENCEMENT OF RENTAL (herein defined) and from thenceforth next ensuing and fully to be completed and ended on the day immediately preceding the sixtieth (60th) anniversary of the DATE FOR COMMENCEMENT OF RENTAL.

YIELDING AND PAYING to the LESSOR in each and every of the years during the TERM rent as hereinafter provided.

This lease is made upon and subject to the following covenants and conditions which each of the LESSOR and the LESSEE respectively covenants and agrees to keep, observe and perform to the extent that the same are binding or expressed to be binding upon it.

ARTICLE I

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DEFINITIONSSection 1.01

The terms defined in this section 1.01 for all purposes of this lease unless otherwise specifically provided herein, have the meanings hereinafter specified. The terms here defined are:-

- (a) "ADDITIONAL RENT" means the amounts, if any, payable by the LESSEE pursuant to sections 3.02, 3.04, 3.05 and 8.12;
- (b) "ARCHITECT" means Romses, Kwan & Associates, architects, of 1770 Burrard Street, in the City of Vancouver, in the Province of British Columbia, or such other architects as the LESSEE may appoint from time to time;
- (c) "BASIC RENT" as of any particular time means the net basic rental provided for in this lease as specified in Article II of this lease during the TERM, together with any other and additional amounts which are herein expressed to be added to and made part of BASIC RENT, other than ADDITIONAL RENT;
- (d) "BUILDINGS" means all structures and buildings constructed upon the SAID LANDS or any part thereof by or for the LESSEE pursuant to the provisions of this lease, together with all replacements, alterations, additions, changes, substitutions, improvements or repairs thereto and all other improvements from time to time constructed upon or affixed or appurtenant to the SAID LANDS;
- (e) "COMMENCEMENT OF CONSTRUCTION" means that a building permit for the BUILDINGS has been issued to the LESSEE by the City of Vancouver and excavation necessary for the construction of the BUILDINGS has been commenced and is being diligently prosecuted;
- (f) "COMMON FACILITY" means a facility that is available for the use of all the OWNERS, and, without limiting the generality of the foregoing, may include a laundry room, playground, swimming pool, recreation centre, clubhouse, tennis court, or any other facility;



- (g) "COMMON PROPERTY" means so much of the SAID LANDS and BUILDINGS for the time being comprised in the LEASEHOLD STRATA PLAN that is not comprised in any STRATA LOT shown in the LEASEHOLD STRATA PLAN;
- (h) "DATE FOR COMMENCEMENT OF RENTAL" means the date of this lease;
- (i) "LEASEHOLD STRATA PLAN" means a strata plan deposited in the Vancouver Land Registry Office pursuant to the STRATA TITLES ACT in which the land included in the strata plan is subject to this lease;
- (j) "MODEL STRATA LOT LEASE" means the lease attached to this lease as Schedule "A" and forms an integral part of this lease;
- (k) "MORTGAGE" means a mortgage or mortgages upon or in respect of the leasehold interest of the LESSEE in the SAID LANDS and the BUILDINGS or any part thereof and includes any deed of trust and mortgage to secure any bonds or debentures issued thereunder;
- (l) "MORTGAGEE" means a mortgagee or mortgagees under a MORTGAGE and includes any trustee for bondholders or debenture holders under a deed of trust and mortgage to secure any bonds or debentures issued thereunder;
- (m) "OWNER" means a person registered in the Vancouver Land Registry Office as a lessee pursuant to a lease of a leasehold interest from the LESSOR in a STRATA LOT whether entitled thereto in the right of the OWNER or in a representative capacity or otherwise and includes a purchaser as that term is defined in the STRATA TITLES ACT;
- (n) "SAID LANDS" means those lands in the City of Vancouver in the Province of British Columbia, more particularly known and described as Lot 27, False Creek, Plan 16003, and owned by the LESSOR;



- (o) "SPECIAL RESOLUTION" means a special resolution passed by the STRATA CORPORATION in accordance with the provisions of the STRATA TITLES ACT;
- (p) "STRATA CORPORATION" means the corporation created by the provisions of the STRATA TITLES ACT, the lessee or lessees of the STRATA LOTS included in the LEASEHOLD STRATA PLAN and his or their successors constituting and being the members for the time being of the corporation;
- (q) "STRATA LOT" means a strata lot shown as such on the LEASEHOLD STRATA PLAN, together with any structure erected therein or thereon and including its share in the COMMON PROPERTY and COMMON FACILITIES;
- (r) "STRATA TITLES ACT" means the Strata Titles Act, S.B.C. 1974, Chapter 89, as amended from time to time;
- (s) "TERM" means the sixty (60) year period beginning on the DATE FOR COMMENCEMENT OF RENTAL, and ending on the day immediately preceding the sixtieth (60th) anniversary of the DATE FOR COMMENCEMENT OF RENTAL;
- (t) "TRUSTEE" means a trust company duly authorized to carry on business in the Province of British Columbia and appointed by the first MORTGAGEE or if there is no first MORTGAGEE then by the LESSEE for the purposes of section 8.07;
- (u) "UNIT ENTITLEMENT" means the unit entitlement of a STRATA LOT and indicates the share of an OWNER in the COMMON PROPERTY, COMMON FACILITIES, and other assets of the STRATA CORPORATION and is the figure by reference to which the OWNER's contribution to the common expenses of a STRATA CORPORATION is calculated.

#### Section 1.02

All the provisions of this lease shall be deemed and construed to be conditions as well as covenants as though the words specifically expressing or importing covenants or conditions were used in each separate provision hereof.

Section 1.03

The words "herein", "hereby", "hereunder" and words of similar import refer to this lease as a whole and not to any particular article, section or subsection thereof.

ARTICLE IIPAYMENT OF RENTSection 2.01 Annual Rent

The LESSEE covenants and agrees to pay to the LESSOR as rent BASIC RENT during the TERM:

- (a) for that portion of the TERM commencing on the date hereof and ending on the day next preceding the date of substantial completion of the BUILDINGS in accordance with section 4.02 or 1 July, 1976 whichever date first occurs (the date so determined is herein referred to as the "SAID DATE"), the sum of One Dollar (\$1.00);
- (b) for and during each year of the fifteen (15) year period of the TERM commencing on the SAID DATE the annual sum of Fifty Thousand, Seven Hundred and Sixty-five Dollars (\$50,765.00), and to pay such BASIC RENT in twelve (12) equal monthly instalments in advance on the first day of each and every month in each year during the said fifteen (15) year period of the TERM, provided however that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly as to the first and last months of the said fifteen (15) year period;
- (c) for and during each year of the fifteen (15) year period of the TERM commencing on the fifteenth (15th) anniversary of the SAID DATE, the annual sum of Seventy-two Thousand, One Hundred and Forty Dollars (\$72,140.00), and to pay such BASIC RENT in twelve (12) equal monthly instalments in advance on the first day of each month in each year during the said fifteen (15) year period of the TERM, provided however that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly as to the first



and last months of each year of the said fifteen (15) year period;

- (d) for and during each subsequent ten (10) year period of the TERM commencing on the thirtieth (30th) anniversary of the SAID DATE, such annual sum as may be agreed upon in writing by and between the LESSOR and the LESSEE, provided that if the LESSOR and the LESSEE do not agree in writing upon the BASIC RENT for any of the subsequent ten (10) year periods of the TERM at least six (6) months prior to the end of the said fifteen (15) year period referred to in section 2.01(c) or any ten (10) year period (as the case may be) of the TERM next preceding the ten (10) year period of the TERM in respect of which the BASIC RENT has not been agreed upon, the BASIC RENT for each year of the last-mentioned ten (10) year period of the TERM shall be the Market rental value of the SAID LANDS at the date which shall be six (6) months prior to the end of the said fifteen (15) year period referred to in section 2.01(c) or the ten (10) year period (as the case may be) of the TERM next preceding and such market rental value shall be determined by arbitration. The arbitrators shall within the six (6) month period aforesaid appraise and determine the market rental value of the SAID LANDS as of the date hereinbefore set out and if the arbitrators shall not have determined such market rental value within the said six (6) month period, the LESSEE shall pay to the LESSOR during the next ten (10) year period of the TERM a BASIC RENT as provided in section 2.02. The LESSEE covenants and agrees to pay the BASIC RENT as so calculated for each of the said ten (10) year periods of the TERM in twelve (12) equal monthly instalments in advance, on the first day of each month in each year during the ten (10) year period of the TERM to which such BASIC RENT applies, provided however that should the date upon and from which such BASIC RENT first begins to accrue be a date other than the first day of a month, such BASIC RENT shall be apportioned accordingly as to the first and last months of each of the said ten

(10) year periods of the TERM, provided further that the remainder of the TERM following the second ten (10) year period of the TERM referred to in this section 2.01(d) being less than ten (10) years, the provisions of this section 2.01(d) shall apply, mutatis mutandis, to such remaining period.

- (e) in determining the market rental value of the SAID LANDS pursuant to this Article II, the arbitrators shall exclude from such determination the value of the BUILDINGS and all other structures and improvements in and upon the SAID LANDS (as if the SAID LANDS were unimproved) and shall determine such market rental value on the basis that the SAID LANDS may only be used for the purposes set forth in this lease.

#### Section 2.02     Adjustment of BASIC RENT

If the BASIC RENT at any time payable hereunder is subject to a revision which is dependent upon a determination to be made pursuant to the provisions of section 2.01, but which has not then been made, and if consequently the amount of the revision of the BASIC RENT cannot then be ascertained, the LESSEE shall, pending such determination, continue to pay monthly instalments of the BASIC RENT equal to the monthly instalments payable in the year immediately preceding the period of the TERM for which such revision of the BASIC RENT is to be determined or such larger instalments as the LESSEE may elect and when the revised BASIC RENT has been ascertained, the LESSEE shall pay to the LESSOR the amount, if any, by which the monthly instalments of the revised BASIC RENT payable prior to the date thereof exceeds the amount actually paid between the termination of the said immediately preceding year and the final determination of the revised BASIC RENT together with interest at the rate of one per centum (1%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver on such excess amount or the LESSOR shall credit the LESSEE against future instalments of BASIC RENT with any overpayment together with interest at the rate of one per centum (1%) per annum



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above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver on such overpayment.

Section 2.03 Net Lease

Unless otherwise expressly stipulated herein to the contrary, all rent required to be paid by the LESSEE hereunder shall be paid without any deduction, abatement or set-off whatsoever, it being the intention of this lease that all expenses, costs, payments and outgoings incurred in respect of the SAID LANDS, the BUILDINGS and any other improvements on the SAID LANDS or for any other matter or thing affecting the SAID LANDS, shall be borne by the LESSEE, that the rent herein provided shall be absolutely net to the LESSOR and free of all abatements, set-off or deduction of real property taxes, charges, rates, assessments, expenses, costs, payments or outgoings of every nature arising from or related to the SAID LANDS, the BUILDINGS or any other improvements on the SAID LANDS and that the LESSEE shall pay or cause to be paid all such taxes, charges, rates, assessments, expenses, costs, payments and outgoings.

Section 2.04 Collection of other amounts due

Any sums, costs, expenses or other amounts from time to time due and payable by the LESSEE to the LESSOR under the provisions of this lease, including sums payable by way of indemnity, and whether expressed to be rent or not in this lease, may at the option of the LESSOR be treated as and deemed to be BASIC RENT, in which event the LESSOR shall have all the remedies for the collection of such sums, costs, expenses or other amounts, when in arrears, as are available to the LESSOR for the collection of rent in arrears.

Section 2.05 Interest on amounts in arrears

When the BASIC RENT, ADDITIONAL RENT or any other amounts payable hereunder by the LESSEE to the LESSOR shall

be in arrears, such amounts shall bear interest at the rate of three per centum (3%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver until paid, and the LESSOR shall have all the remedies for the collection of such interest, if unpaid after demand, as in the case of rent in arrears, but this stipulation for interest shall not prejudice or affect any other remedy of the LESSOR under this lease.

ARTICLE III

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PAYMENT OF TAXESSection 3.01 Payment of Taxes if LESSOR  
is not exempt therefrom

Save as otherwise provided in section 3.02, the LESSEE will in each and every year during the TERM not later than the day immediately preceding the date or dates on which real-property taxes and other charges imposed upon real property within the City of Vancouver become due and payable whether monthly, quarterly, twice-yearly or otherwise, pay and discharge or cause to be paid and discharged all taxes, rates, duties, charges and assessments, including school taxes, local improvement rates and other charges which now are or shall or may be levied, rated, charged or assessed against the SAID LANDS, the BUILDINGS, all other structures, all machinery, equipment, facilities and other property of any nature whatsoever thereon and therein, whether such taxes, rates, duties, charges and assessments are charged by any municipal, parliamentary, legislative, regional, school or other authority during the TERM and will indemnify and keep indemnified the LESSOR from and against payment of all losses, costs, charges and expenses occasioned by or arising from any and all such taxes, rates, duties, charges and assessments; and any such losses, costs, charges and expenses suffered by the LESSOR may be collected by the LESSOR as BASIC RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears. The LESSEE further covenants and agrees that during the TERM, it will deliver to the LESSOR for inspection receipts for payments of all taxes, rates, duties, charges, assessments, including school taxes, local improvement rates and other charges in respect of the SAID LANDS, the BUILDINGS, all other structures, all machinery, equipment, facilities and other property of any nature whatsoever thereon and therein which were due and payable during the TERM within fourteen (14) days following receipt by the LESSEE of each of such receipts for payment. The LESSOR shall, not later than fourteen (14) days following receipt of any assessment notices delivered to the LESSOR by any taxing authority relating to the SAID LANDS, the BUILDINGS,



or any other structures, any machinery, equipment, facilities and other property of any nature whatsoever thereon and therein, forward a copy thereof to the LESSEE. The LESSEE shall have the right from time to time to appeal any assessment of the SAID LANDS or the BUILDINGS or any other tax, rate, duty, charge or amount referred to in this section 3.01 provided that such appeal shall be at the sole cost and expense of the LESSEE. The LESSEE shall have the further right from time to time to apply for the cancellation, reduction or refund of taxes, rates, duties, charges or amounts levied, rated, charged or assessed in any year in respect of any structure or building on the SAID LANDS that was razed by fire, demolition or otherwise or in respect of an overcharge of taxes levied or such other charges imposed on the SAID LANDS, the BUILDINGS, or any other structure, any machinery, equipment, facilities and other property of any nature whatsoever thereon or therein by reason of any error, provided that any such application shall be at the sole cost and expense of the LESSEE; and any such refund of taxes, rates, duties, assessments or such other charges shall belong to the party which has, at the date of such refund, borne the expense of such taxes, rates, duties, assessments or charges. If in the future the LESSEE is unable to appeal any assessment of the SAID LANDS or the BUILDINGS, or any other tax, rate, duty, charge or amount referred to in this section 3.01 except in the name of the LESSOR, then the LESSEE shall have the right to appeal in the name of the LESSOR.

Notwithstanding anything herein contained, the LESSEE shall be responsible only for the payments referred to in this section 3.01 from the SAID DATE and if such date shall be other than the first day of January in any year, such payments as to the first and last years of this lease shall be reduced proportionately.

Section 3.02 Payment of Taxes if LESSOR  
is exempt therefrom

The LESSEE covenants and agrees with the LESSOR that if during the TERM, the SAID LANDS, the BUILDINGS, all other structures, all machinery, equipment and facilities and other property of any nature whatsoever thereon and therein and any

other property of any nature whatsoever thereon and therein are by the provisions of the Vancouver Charter, S.B.C. 1953, Chapter 55, as amended from time to time, or any other municipal, parliamentary, legislative or regional enactment exempt from taxation in whole or in part by reason of the LESSOR'S ownership of the SAID LANDS and they would otherwise have been subject to taxation, then the LESSEE shall in each and every year during the TERM that such exemption occurs pay to the LESSOR as ADDITIONAL RENT, in like manner and time as taxes are to be paid pursuant to section 3.01, an amount equal to the amount that but for such exemption would have been paid by the LESSEE pursuant to section 3.01 for taxes, rates, duties, charges, assessments, including school taxes and local improvement rates, and other charges. For such purpose in each year during the TERM the following provisions shall apply:

- (i) if the City of Vancouver or any municipal, parliamentary, legislative, regional or other authority having the authority so to do passes a by-law or by-laws in advance of the passing of a rating by-law or preparation of the real-property tax roll for the current year providing for the payment of real-property taxes and other charges imposed or to be imposed upon real property within the City of Vancouver by monthly, quarterly or twice-yearly instalments and providing that the amounts of such instalments shall be a percentage of the amount of real-property taxes payable on the real-property roll for the immediately preceding year, the LESSOR shall deliver to the LESSEE an advance tax statement or statements of the amount or amounts owing under such by-law or by-laws from time to time in respect of the SAID LANDS, the BUILDINGS and all other structures, all machinery and equipment and facilities and other property of any nature whatsoever thereon and therein; and
- (ii) after the passing of a rating by-law or rating by-laws (as the case may be) by the City of Vancouver or any municipal, parliamentary, legislative, regional or other authority having the authority so to do,



establishing the rate or rates to be levied on real property within the City of Vancouver, for the current year, the LESSOR shall determine the ADDITIONAL RENT by applying the rate or rates of levy established by such rating by-law or rating by-laws (as the case may be) to all, or such portion of the assessed value of the SAID LANDS, the BUILDINGS and all other structures, all machinery, equipment and facilities and other property of any nature whatsoever thereon and therein as the said rate or rates of levy are applied to other taxpayers in the City of Vancouver in like case, and the LESSOR shall deliver to the LESSEE a statement of the amount payable under this section 3.02 after deducting all real-property taxes and other charges paid in advance for the current year.

The LESSEE shall have the right from time to time to appeal any assessment of the SAID LANDS or the BUILDINGS or any other tax, rate, duty, charge or amount referred to in this section 3.02, provided that such appeal shall be at the sole cost and expense of the LESSEE. If in the future, the LESSEE is unable to appeal any assessment of the SAID LANDS or the BUILDINGS, or any other tax, rate, duty, charge or amount referred to in this section 3.02 except in the name of the LESSOR, then the LESSEE shall have the right to appeal in the name of the LESSOR.

Notwithstanding anything herein contained, the LESSEE shall be responsible only for the payments referred to in this section 3.02 from the SAID DATE and if such date shall be other than the first day of January in any year, such payments as to the first and last years of this lease shall be reduced proportionately.

#### Section 3.03 Delinquent Taxes

If the LESSEE shall in any year during the TERM fail to pay the taxes under section 3.01 when due, the LESSEE shall thereupon pay interest at the percentage rate or rates established by the City of Vancouver by by-law under the Vancouver Charter, S.B.C. 1953, Chapter 55, as amended from time to time or any other taxing authority, for unpaid real

property taxes in the City of Vancouver, and in addition thereto, if such be the case, the interest fixed by the Vancouver Charter, S.B.C. 1953, Chapter 55 as amended from time to time or any other taxing authority, for delinquent taxes, but so that the LESSEE shall only be obligated to pay such interest as would be payable by other taxpayers in the City of Vancouver in like case.

#### Section 3.04 Payment for Utility Services

The LESSEE covenants with the LESSOR to pay for or cause to be paid when due all charges for gas, electricity, light, heat, power, telephone, water and other utilities and services used in or supplied to the SAID LANDS and the BUILDINGS throughout the TERM and will indemnify and keep indemnified the LESSOR from and against payment of all losses, costs, charges and expenses occasioned by or arising from any and all such charges, and any such loss, costs, charges and expenses which relate to such charges suffered by the LESSOR may be collected by the LESSOR as ADDITIONAL RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears.

#### Section 3.05 Business Tax and License Fees

The LESSEE covenants with the LESSOR to pay for or cause to be paid when due every tax and permit and license fee in respect of any and every business carried on, upon or in the SAID LANDS, and the BUILDINGS, in respect of the use or occupancy thereof by the LESSEE (and any and every sub-lessee, permittee and licensee) where required by the City of Vancouver other than such taxes as corporate income, profits or excess profit taxes assessed upon the income of the LESSEE (or such sublessee, permittee and licensee) whether such taxes or permit and license fees are charged by any municipal, parliamentary, legislative, regional or other authority during the TERM and will indemnify and keep indemnified the LESSOR from and against payment of all losses, costs, charges and

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expenses occasioned by or arising from any and all such taxes and permit and license fees, and any such loss, costs, charges and expenses which relate to such charges suffered by the LESSOR may be collected by the LESSOR as ADDITIONAL RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears.



ARTICLE IVCONSTRUCTION OF BUILDINGSSection 4.01 LESSEE to construct BUILDINGS

As part of the consideration for this lease the LESSEE covenants and agrees with the LESSOR to construct and complete the BUILDINGS expeditiously and in a good and workmanlike manner and in accordance with the drawings, elevations, specifications (including materials to be used), location, and exterior decoration and design as approved by the LESSOR in accordance with the provisions of section 4.04 and no changes shall be made by the LESSEE in the drawings, elevations, specifications (including materials to be used), location or exterior decoration and design as approved by the LESSOR in accordance with the provisions of section 4.04 or the use of the SAID LANDS as in this lease provided without the approval in writing of the LESSOR.

Section 4.02 Substantial completion of BUILDINGS

For the purposes of this Article IV the BUILDINGS shall be deemed to have been substantially completed when the ARCHITECT of the LESSEE has certified to the LESSOR that with respect to the BUILDINGS:-

- (i) all work of a structural nature has been properly completed;
- (ii) all building equipment and services, including elevators (if any), heating systems and air-conditioning systems (if any), and utilities have been completed and are operating properly and available for use by tenants; all lobbies, stair wells and other areas intended for the common use of tenants are completed except for work of a superficial nature, which is both minor in character and of a type which, owing to the likelihood of damage, is reasonably to be deferred until the BUILDINGS are partially or substantially occupied by tenants;



- (iii) all building by-laws and regulations of the City of Vancouver have been complied with by the LESSEE;
- (iv) all areas are clean and all surplus building material and rubbish removed;
- (v) the BUILDINGS have been completed and are in a condition in which they can be occupied by tenants, and any work that is still unfinished is such as can be completed promptly and is work to whose incompleteness a reasonable tenant would not object unless agreement has been reached between a purchaser of a STRATA LOT or proposed STRATA LOT and the LESSEE whereby the interior of the premises constructed or to be constructed in or on such STRATA LOT or proposed STRATA LOT is to be completed by the purchaser, in which event such premises need not be in a condition in which they can be occupied by a tenant;
- (vi) the BUILDINGS shall have been constructed in all respects in a good and workmanlike manner and in accordance with the drawings, elevations and specifications (including materials to be used), the location on the SAID LANDS and the exterior decoration and design approved by the LESSOR.

#### Section 4.03 Contracts for construction of BUILDINGS

The LESSEE shall before entering into any construction contract for the BUILDINGS notify the LESSOR that the LESSEE proposes to do so and all drawings, elevations and specifications supplied to contractors shall be consistent with the drawings, elevations and specifications (including materials to be used) approved by the LESSOR.

#### Section 4.04 Commencement of Construction of BUILDINGS

Before commencing excavation or any work on the SAID LANDS for the construction of the BUILDINGS the LESSEE shall:

- (a) submit to the LESSOR for approval the drawings, elevations, specifications (including materials to be used) location on the SAID LANDS and exterior decoration and design that relate to the portion of the work which the

LESSEE proposes to commence and obtain the approval of the LESSOR thereto, and the LESSOR shall notify the LESSEE of its approval or disapproval of such drawings, elevations, specifications (including materials to be used), location, exterior decoration and design within fourteen (14) days of the submission of the same to the LESSOR, and the LESSOR shall give the LESSEE reasons for any disapproval, the approval of the LESSOR shall not be unreasonably withheld;

- (b) furnish proof of the insurance required by section 4.05.

Section 4.05 Fire and Liability Insurance  
during construction of BUILDINGS

- (a) The LESSEE shall effect or shall cause its contractor or contractors to effect prior to the commencement of construction of the BUILDINGS, or any of them, and shall maintain and keep in force until the insurance required under Article VIII shall have been effected, insurance:
  - (i) protecting both the LESSEE and the LESSOR (without any rights of cross claim or subrogation against the LESSOR) against claims for personal injury, death or property damage or other third party or public liability claims arising from any accident or occurrence upon, in or about the SAID LANDS and from any cause, including the risks occasioned by the construction of the BUILDINGS, and to an amount reasonably satisfactory to the LESSOR for any personal injury, death, property or other claims in respect of any one accident or occurrence; and
  - (ii) protecting both the LESSEE and the LESSOR from loss or damage (without any rights of cross claim or subrogation against the LESSOR) to the BUILDINGS and all fixtures, equipment, improvements and



building materials on the SAID LANDS from time to time both during and after construction (but which may be by policies effected from time to time covering the risk during different phases of construction of the BUILDINGS) against fire, earthquake and all other perils from time to time customarily included in the usual all risks builders' risk form of policy applicable to similar properties during construction and effected in the Province of British Columbia by prudent owners, and such other perils as the LESSOR may reasonably require to be insured against to the full insurable value thereof at all times and in any event in the amount sufficient to prevent the LESSOR or the LESSEE being deemed a co-insurer.

- (b) The proceeds of insurance which may become payable under any policy of insurance effected pursuant to this section 4.05 shall be payable to a trustee acceptable to the LESSOR and shall be available to finance repair and reconstruction.
- (c) All the provisions of Article VIII respecting insurance which are of general application shall apply to the insurance during construction of the BUILDINGS required by this section 4.05.

ARTICLE VUSE AND OPERATION OF BUILDINGSSection 5.01 Use of BUILDINGS

The LESSEE covenants and agrees that neither the SAID LANDS nor the BUILDINGS shall be used for any purpose except that of self-contained residential apartments and other facilities ancillary thereto and connected therewith unless the LESSOR approves in writing of any change in such uses.

Section 5.02 Operation of BUILDINGS

The LESSEE shall operate, manage and maintain the BUILDINGS or shall cause the BUILDINGS to be operated, managed and maintained in a good, efficient and businesslike manner and (in addition to performing all its other covenants under this lease) shall properly and adequately supervise the BUILDINGS, or cause the BUILDINGS to be properly and adequately supervised, shall supply or cause to be supplied heat and other necessary building services to lessees and occupants whenever reasonably required, shall keep the BUILDINGS and the adjacent landscaping and all other improvements upon the SAID LANDS neat and clean, shall impose and enforce regulations relating to the use and occupancy of space in the BUILDINGS consistent with a good and efficient housing development, shall maintain the general appearance and standards of the BUILDINGS, shall generally manage the BUILDINGS as would a prudent owner.



ARTICLE VIPROVISION OF ADDITIONAL PUBLIC VEHICULAR  
TRANSPORTATIONSection 6.01 Provision of additional public  
vehicular transportation

The LESSEE covenants and agrees with the LESSOR that if in the reasonable opinion of the LESSOR the public transit system in the City of Vancouver does not from time to time during the TERM adequately serve those persons who occupy that area (in this section 6.01 referred to as the "Area") of the City of Vancouver bounded on the west by the northerly projection of the easterly boundary of Birch Street, on the south by the northerly boundary of Sixth Avenue, on the east by the northerly projection of the westerly boundary of Ash Street and on the north by False Creek and as a result, the LESSOR deems it necessary to provide or cause the provision of additional public vehicular transportation to connect with the then existing transit system in order to more adequately serve such persons, then a fair and equitable portion of any and all costs and expenses incurred by the LESSOR in providing or causing the provision of such additional public vehicular transportation as determined by the City of Vancouver shall be reimbursed to the LESSOR by the LESSEE. It is understood and agreed between the parties that the portion of the costs and expenses of such additional public vehicular transportation assessed against the LESSEE under this section 6.01 shall be no greater than the portion of the costs and expenses therefor assessed against any other like organization with similar accommodation in the Area. If the LESSOR and the LESSEE are unable to agree on the portion of such costs and expenses to be assessed against the LESSEE, the LESSEE may appeal the matter to the City Council and the decision of the City Council as to the portion of such costs and expenses to be assessed against the LESSEE shall be final and binding upon the parties. If the LESSEE shall, following the final determination of the LESSEE's portion of the costs and expenses of such additional public vehicular transportation fail to reimburse or pay to the LESSOR the LESSEE's portion of such costs and expenses within thirty (30) days after receipt from the LESSOR of a written account therefor, then the LESSEE's portion of such costs and expenses may be collected by the LESSOR as BASIC RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears.

ARTICLE VIITERMINATION OF LEASE ON FAILURE  
TO COMMENCE CONSTRUCTION OF BUILDINGSSection 7.01

The LESSEE agrees with the LESSOR that subject always to section 12.01 if COMMENCEMENT OF CONSTRUCTION has not taken place on or before 15 October, 1975 or such later date as the LESSOR approves in writing (such approval not to be unreasonably withheld by the LESSOR), the LESSOR shall have the right and option at any time thereafter to terminate this lease and in such event this lease shall terminate and be of no further force nor effect.

ARTICLE VIIIINSURANCESection 8.01 Insurance

At all times during the TERM immediately following the substantial completion of construction of the BUILDINGS, in accordance with the provisions of section 4.02, the LESSEE shall at no expense to the LESSOR insure and keep insured or cause to be insured the BUILDINGS in one or more companies entitled to do business in the Province of British Columbia against loss or damage by fire and other perils now or hereafter from time to time embraced by or defined in the Commercial Building form of insurance coverage applicable to similar properties as the SAID LANDS and the BUILDINGS and effected in the Province of British Columbia by prudent owners from time to time during the TERM including, without restricting the generality of the foregoing, the hazards of lightning, earthquake, explosion, wind storm, cyclone, tornado, hail, riot, civil commotion, malicious damage, aircraft, smoke and vehicle damage to the extent that insurance against such risk or perils, or any of them, may be obtained in an amount equal to the full replacement value thereof and in addition thereto the LESSEE shall at no expense to the LESSOR insure and keep insured the BUILDINGS against all other risks required to be insured against under the provisions of any MORTGAGE to the extent that insurance against such risk or perils or any of them may be obtained.

Section 8.02 Pressure Vessel Insurance

At all times during the TERM immediately following the substantial completion of the construction of the BUILDINGS, in accordance with the provisions of section 4.02, the LESSEE shall at no expense to the LESSOR maintain in respect of the BUILDINGS pressure vessel insurance with one or more companies entitled to do business in the Province of British Columbia protecting the LESSOR and the LESSEE in respect of all boilers and such other pressure vessels as the LESSEE may from time to time deem it necessary to insure in amounts to be designated by the LESSEE and approved by the LESSOR, such approval not to be unreasonably withheld; such insurance shall also cover loss or damage caused by rupture of steam pipes.



#### Section 8.03 Deductible Amounts

Any of the policies of insurance referred to in section 4.05, 8.01 or 8.02 hereof may, with the approval of the LESSOR, which approval shall not be unreasonably withheld, provide that the amount payable in the event of any loss shall be reduced by a deductible amount, such amount to be designated by the LESSEE and approved by the LESSOR, such approval not to be unreasonably withheld, and the LESSEE shall be a co-insurer to the extent of the amount so deducted from the insurance monies paid in the event of any loss, and the said amount shall, for the purpose of section 8.07 hereof, be included as part of the insurance monies payable and paid.

#### Section 8.04 Co-insurance Clauses

If any of the policies of insurance referred to in section 4.05, 8.01 or 8.02 hereof shall contain any co-insurance clauses, the LESSEE shall maintain at all times a sufficient amount of insurance to meet the requirements of such co-insurance clause so as to prevent the LESSOR or the LESSEE from becoming a co-insurer under the terms of such policy or policies and to permit full recovery in the event of loss.

#### Section 8.05 Identity of Insured

Any and all policies of insurance referred to in section 4.05, 8.01 or 8.02 hereof shall be written in the name of the LESSEE and the LESSOR as the insureds with loss payable to the LESSOR, the LESSEE and the MORTGAGEE, if any, as their respective interests may appear, and shall contain a waiver of subrogation clause to the effect that any release from liability entered into by the LESSEE prior to any loss, shall not affect the right of the LESSEE or the LESSOR to recover. Each policy of insurance referred to in sections 4.05, 8.01 and 8.02 hereof shall contain a provision or shall bear an endorsement that the insurer will not cancel such policy without first giving the LESSOR at least fifteen (15) days' notice in writing of its intention to cancel.



Section 8.06 Release of LESSOR from liability  
for insured loss or damage

The LESSEE hereby releases the LESSOR, its successors and assigns, from any and all liability for loss or damage caused by any of the perils against which the LESSEE shall have insured or pursuant to the terms of this lease is obligated to insure the BUILDINGS, or any part or parts thereof, and whether or not such loss or damage may have arisen out of the negligence of the LESSOR and the LESSEE hereby covenants to indemnify and save harmless the LESSOR from and against all manner of actions, causes of action, suits, damages, loss, costs, claims and demands of any nature whatsoever relating to such insured loss or damage.

Section 8.07 Payment of Loss under the Insurance Policies  
referred to in sections 8.01, 8.02 and 8.12

The insurance monies payable under any or all of the policies of insurance referred to in section 8.01, 8.02 or 8.12 hereof, shall, notwithstanding the terms of the policy or policies, be paid to the TRUSTEE on behalf of the LESSOR, the LESSEE and the MORTGAGEE, if any.

The LESSOR and the LESSEE agree that the TRUSTEE shall use such insurance monies for the restoration, reconstruction or replacement of the loss or damage in respect of which such insurance monies are payable hereunder against certificates of the architect engaged by the LESSEE or such other person as the LESSOR and the LESSEE may agree upon who is in charge of such restoration, reconstruction or replacement. Should the LESSEE fail to effect the restoration, reconstruction or replacement of the loss or damage in respect of which the insurance monies are payable, without unreasonable delay, the LESSOR shall be entitled to effect such restoration, reconstruction or replacement and the TRUSTEE to whom such insurance monies are payable shall pay or cause to be paid to the LESSOR such insurance monies in the same manner the TRUSTEE would have done had the LESSEE effected such restoration, reconstruction or replacement.

Section 8.08 Workers' Compensation coverage

At all times during the TERM, the LESSEE shall at its own expense procure and carry or cause to be procured and carried and paid for full workers' compensation coverage in respect of all workmen, employees, servants and others engaged in or upon any work, non-payment of which would create a lien on the SAID LANDS or the BUILDINGS.

Section 8.09 Comprehensive General Liability

At all times during the TERM, the LESSEE shall at the expense of the LESSEE maintain in one or more companies duly authorized to carry on business within the Province of British Columbia, comprehensive general liability insurance against claims for personal injury, death or property damage or loss arising out of the use and occupation of the SAID LANDS and BUILDINGS, indemnifying and protecting the LESSOR and the LESSEE to limits from time to time on a reasonable basis which is approved by the LESSOR, such approval not to be unreasonably withheld.

Section 8.10 Payment of Insurance Premiums

The LESSEE shall pay or cause to be paid all the premiums under the policies of insurance referred to in this Article VIII as they become due and payable and in default of payment by the LESSEE, the LESSOR may pay the same and add the amount so paid to the BASIC RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of BASIC RENT as rent in arrears.

Section 8.11 Copies of Insurance Policies

The LESSEE shall deliver or cause to be delivered to the LESSOR certified copies of all policies of insurance referred to in this Article VIII and obtained and maintained by the LESSEE hereunder, accompanied by evidence satisfactory to the LESSOR that the premiums thereon have been paid.

Section 8.12 Insurance may be maintained by LESSOR

The LESSOR and the LESSEE agree that:-

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- (a) The LESSOR, although not obliged to do so, may obtain and maintain insurance in respect of loss or damage to the SAID LANDS and the BUILDINGS against fire and other perils now or hereafter from time to time embraced by or defined in a standard fire insurance extended coverage or additional perils supplemental contract, in excess of any amount for which they are insured by the LESSEE under section 8.01 or in respect of the BUILDINGS, pressure vessel insurance in excess of any amount maintained by the LESSEE under section 8.02, or in respect of any other perils, including liability, in excess of any amount maintained by the LESSEE under section 8.09.
- (b) Should the LESSEE at any time during the TERM fail to insure or keep insured the BUILDINGS against loss or damage by fire and other perils as required under section 8.01 or fails to maintain in respect of the BUILDINGS, pressure vessel insurance as required under section 8.02, or fail to maintain insurance against claims for personal injury, death or property damage or loss as required under section 8.09, then in any of such events, the LESSOR, although not obliged to do so, may obtain and maintain such insurance in such amount or amounts with such deductible amounts and for such period or periods of time as the LESSOR deems advisable; and the LESSEE shall pay to the LESSOR as ADDITIONAL RENT upon the LESSOR obtaining any of such insurance and thereafter annually during the TERM within thirty (30) days after receipt of any invoice from the LESSOR such amount as, at the rates charged by the insurance companies with whom the LESSOR has placed such insurance, will pay all premiums therefor. The LESSOR shall submit to the LESSEE annually a statement of the amount or amounts payable by the LESSEE under this section 8.12(b) as the cost of such insurance for the next ensuing year and upon receipt of payment therefor shall apply the same on account of the premiums of such insurance with the loss, if any, thereunder payable to the LESSOR, the LESSEE and any MORTGAGEE as their interest may appear.



ARTICLE IX  
REPAIRS AND MAINTENANCE

Section 9.01 LESSOR not obliged to repair

The LESSOR shall not be obliged to furnish any services or facilities or to make repairs or alterations in or to the SAID LANDS or the BUILDINGS, the LESSEE hereby assuming the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the SAID LANDS and the BUILDINGS.

Section 9.02 Repair to BUILDINGS

The LESSEE at the LESSOR's cost and expense shall during the TERM, subject to section 10.01, put and keep in good order and condition or shall cause to be put and kept in good order and condition the SAID LANDS and the BUILDINGS, and the appurtenances and equipment thereof, both inside and outside, including, but not limited to fixtures, walls, foundations, roofs, vaults, elevators, if any, and similar devices, heating and air conditioning equipment, sidewalks, yards and other like areas, water and sewer mains and connections, water, steam, gas and electric pipes and conduits, and all other fixtures in and appurtenances to the SAID LANDS and the BUILDINGS and machinery and equipment used or required in the operation thereof, whether or not enumerated herein, and shall, in the same manner and to the same extent as a prudent owner, make any and all necessary repairs, replacements, alterations, additions, changes, substitutions and improvements, ordinary or extraordinary, foreseen or unforeseen, structural or otherwise, and keep the BUILDINGS and aforesaid fixtures, appurtenances and equipment fully usable for all the purposes for which the BUILDINGS were erected and constructed and the aforesaid fixtures, appurtenances and equipment were supplied and installed, reasonable wear and tear excepted so long as the reasonable wear and tear does not affect the exterior appearance of the BUILDINGS or the foundation or structure of the BUILDINGS. Such repairs shall be in all respects to a standard at least substantially equal in quality of material and workmanship to the original work and material in the BUILDINGS and shall meet the requirements of municipal,