

City of Vancouver Co-op Lease Renewals
Council Decision July 8, 2021

FINAL MOTION AS APPROVED

- A. THAT, pursuant to Vancouver Charter section 206(1)(j), Council approve that housing co-operatives operating on City land may be deemed organizations contributing to the welfare of the City.
- B. THAT Council approve the following policies that will guide or provide a framework for the negotiation of co-op lease renewals:
- i) That any land rent subsidies made to co-ops for households earning above HILs as part of a lease renewal (a) be based on a rental benchmark that is the lesser of 15% below average area rents or 25% of median Vancouver rental household income and (b) will require regular income reporting, as more specifically described in the Report dated June 14, 2021, entitled “Methodology for Co-operative Housing Lease Renewals”.
 - ii) That any land rent subsidies made to co-op for households earning HILs or less as part of the lease renewal (a) be based on a rental benchmark that is equivalent to 30% of the average household income of those units and (b) will require annual income testing, as more specifically described in the above-noted report.
 - iii) That any additional land rent subsidies to support a time-limited transition from a co-op's existing housing charges will require income testing at the commencement of the future lease to support the additional subsidy as part of a lease renewal, as more specifically described in the above-noted report.

(collectively “the Methodology”).
- C. THAT Council approve the proposed Co-op Lease Renewal Methodology as a framework to guide future lease renewal negotiations as described in this report, including as set out in Appendices A and B of the Report dated June 14, 2021, entitled “Methodology for Co-operative Housing Lease Renewals”.
- D. THAT subject to approval of A, B, and C above, Council authorize staff to negotiate future lease renewal(s) with existing Housing Co-operatives on City land which agreements shall be brought back to Council for its consideration and approval.
- E. THAT Council support the Co-operative Housing Federation of British Columbia (CHF BC) to advocate for Property Transfer Tax offset or waiver opportunities with the Province of British Columbia.
- F. THAT A, B, C, D, and E above be adopted on the following conditions:
- i) THAT the passage of the above resolutions creates no legal rights for a lessee or any other person, or obligation on the part of the City and any expenditure of funds

or incurring of costs in relation thereto is at the risk of the person making the expenditure or incurring the cost; and Standing Committee of Council on Policy and Strategic Priorities Minutes, July 7 and 8, 2021

- ii) THAT the City and all its officials shall not in any way be limited or restricted in the exercise of their authority or discretion, regardless of when they are called upon to exercise such authority or discretion.
- G. THAT, in recognition of the unique operating model of existing co-ops requiring lease renewals for existing buildings, the non-RGI unit benchmark component of the renewal methodology be changed from “25% of Median Vancouver Income” to “25% of Median Vancouver Renter Income,” provided that no housing charges are decreased.
- FURTHER THAT the seven-year Transition Grant be extended as needed to 10 years.
- H. THAT Council affirm that, within the co-op lease framework and land rent methodology, co-ops will retain the autonomy and flexibility to set housing charges that allow for temporary hardship assistance or a shift in annual housing charges to support the essential needs of persons or families that have had changes in life circumstances in keeping with the traditional co-op model.
- I. THAT staff work with the community housing sector to come up with recommendations to the provincial and federal government for a metric that is more fair than 30% of before tax income for Rent Geared to Income households, one that takes into account after tax income and peoples’ real and necessary expenses.
- J. THAT Council write to CHF BC encouraging them to support their co-op members in the development and implementation of equity measures identified by their members, including:
- over-housing policies
 - promoting diversity in membership
 - promoting women having principal memberships
 - ensuring that accessible units are available to members in wheelchairs
 - making most two and all three-bedroom units available to larger families, including families with children
 - introducing sliding scale parking fees
 - factoring in rent hike exemptions based on need
 - increasing the RGI unit minimum threshold from 15% to 30%
- K. THAT staff report back to Council with options for further investment or other support to the co-op housing sector that could deepen affordability for lower-income co-op members and/or enable the creation of new co-op housing units across the city, recognizing the importance of co-op housing in the City of Vancouver.

APPENDIX A: Key Lease Renewal Methodology Principles

The following are the general principles that will form the basis of the City negotiating renewal leases with individual Co-op organizations. The key principles set out in this Appendix are non-binding upon the City and the Co-ops and create no legal rights or obligations for the City or the Co-ops, but provide the general framework and methodology that will guide the City in negotiating renewal leases. Nothing herein shall fetter Council's discretion or the exercise of its authority regardless of when Council is called upon to exercise such authority or discretion. It is important to also note that the recommended principles work in relation to each other and should be viewed as a whole.

1) Redevelopment Potential Assessment/New Space Lease

Evaluating redevelopment opportunities is best performed as a lease approaches expiry, but not all lands leased to Co-ops are intended to be redeveloped upon expiry. Before renewal, the City will determine upfront whether the Co-op site is a suitable site for near-term redevelopment. Under this proposed methodology, when a lease approaches expiry and redevelopment is being considered by the City, the City will proactively engage the Co-op as a potential partner in the redevelopment process as follows:.

- For any Co-op that has an existing lease expiring prior to December 31, 2026, the City may issue a notice advising of the City's intention to redevelop its lands within 90 days of this framework being approved by Council. In such cases, the City will endeavour to provide to the Co-op (in consultation with the Co-op) a redevelopment plan (the "**Redevelopment Plan**") within three years (the "**Plan Notice Period**") of issuing the aforementioned notice. The Redevelopment Plan will outline the City's proposal to the Co-op for the lease of New Space (as described below), timing for redevelopment of the lands and a relocation plan.
- After proposing the Redevelopment Plan, the City may extend the existing lease or licence to occupy on a short term basis to align with the implementation of the Redevelopment Plan. If the existing lease expires during the Plan Notice Period and before a Redevelopment Plan has been proposed, then the Co-op will be eligible for a short term lease extension to the end of the Plan Notice Period.
- If no Redevelopment Plan is proposed by the end of the Plan Notice Period or execution of the Redevelopment Plan is no longer feasible, the Co-op will be eligible to enter into a Renewal Lease (as described in this framework) and the City will agree therein to not issue a Redevelopment Notice during the first ten years of the Term.
- For any Co-ops with existing leases expiring on or after January 1, 2027 that wish to enter into a Renewal Lease prior to expiry of their existing leases in accordance with the framework set out in this Report, the City will consider such proposals with a priority being given to those Co-op sites that require significant capital maintenance to be financed. In any such case, if a Renewal Lease is successfully negotiated, the City will agree therein to not issue a Redevelopment Notice during the first ten years of the Term.

In areas where the city owns a significant proportion of the lands and wishes to implement a phased large site redevelopment, Co-ops on City-leased land within the area will have a

renewal and redevelopment schedule determined by when the City’s large site redevelopment plan intends to redevelop the City-owned sites. For clarity, assuming a large site redevelopment is forecast to be redeveloped over 20 years in two phases: 0-10 years; and 10-20 years, the Co-op lease will be renewed as follows:

Redevelopment Phase	Phase 1 - 0-10 years	Phase 2 – 10-20 years
<i>Scenario</i>	Replacement building or site is available as the Co-op lease expires	<i>Co-op lease expires before Phase 2 commences in year 10</i>
Lease Renewal / New Space Lease Approach	The City will not renew the lease but will offer a lease lease/create space to enable the replacement of Co-op housing within the community	Co-op would be offered and pay for a lease extension to the beginning of the second redevelopment phase in year 10 with short term options to extend depending on the specific development timing of the new Co-op building.

Upon providing the Redevelopment Notice and Redevelopment Plan, the City will offer the Co-op the opportunity to enter into a new long term lease for “New Space” to replace the existing Lease of the Co-op units on the Lands. The in-principle framework for the New Space lease are outlined in Appendix B. If the site is not a candidate for near-term redevelopment or part of a large site redevelopment area, the Co-op will be eligible for a lease renewal as described in Item 2) below.

2) Lease Renewal: Term

- Forty (40) year standard term, with
- Twenty (20) year option in favour of the Lessee, if:
 - The lease is in good standing, with no material breaches outstanding.
 - The Lessee is not in breach of any material conditions of additional agreements that may be in force between the City and the Lessee from time to time.
 - The City has not exercised its right to issue a Notice of Redevelopment.
 - The Lessee demonstrates the capacity to maintain the buildings throughout the extended lease term as evidenced by an asset management plan prepared according to an agreed framework, funded reserves in accordance with that plan, and projections indicating financial viability during the full term of the lease.
 - The Lessee undertakes to provide more than 15% of its homes (or such other minimum as may be stipulated in the lease) to income-tested members for whom the break-even housing charge exceeds 30% of their gross household income.
- The City may waive the above noted conditions for the 20-year option in its sole discretion and will not unreasonably withhold its approval of a 20-year option, subject to fulfilment of the terms and conditions of the lease and Council approval of any renewal lease, including the terms and conditions of granting such lease renewal.

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- A Redevelopment Option for the City based on the Redevelopment Framework outlined in Appendix B will be used as a guide and framework for negotiating all renewal leases between the City and a Lessee.
 - When exercising its option, the City will make every reasonable and good faith effort to advise the Lessee of its intentions and to engage the Lessee in discussions about redevelopment opportunities prior to issuing a Notice of Redevelopment.
 - Upon being advised by a Lessee that the Lessee wishes to initiate the redevelopment of its Lands, the City will make every reasonable and good faith effort to engage the Lessee in discussions toward that end.
 - Credit on new lease payment in case of early renewal: straight-line based on original prepayment for remaining years of original lease.

3) Lease Renewal: Land Rent

- Once determined, any periodic payments would be scheduled and create a binding obligation on the Co-op regardless of changes in financial circumstances. A proportion of the lease price may be prepaid by a Co-op, to be mutually determined by the City and Co-op in individual negotiations.
- Operating costs (OPEX) used to calculate Lease Payments will be limited to the benchmark agreed between the parties (currently \$432 PUPM net of non-rental revenues) at the execution of the lease, with a provision for annual inflation (i.e. 2%)
- Capital costs (CAPEX) used to calculate Lease Payments will be limited to the benchmark agreed between the parties (currently \$550 PUPM) at the execution of the lease, with a provision for annual inflation (i.e., 2%). If actual CAPEX requirements are less than the benchmark in a given year, the balance will be directed to capital reserves. City reserves its rights under the lease to use of the capital reserves if the terms of the lease have not been met (i.e., building not turned over in good condition).
- Proportion of low income members/affordability target.
 - Should be agreed-upon at the beginning of the lease and must be at least 15%.
 - The City will look at a rolling three years – if the balance is not maintained, there will be an adjustment of the lease rate payable, either a surcharge or discount to address not being in alignment with agreed upon balance, to be negotiated between the City and an individual Co-op as part of a lease renewal.
 - If during the life of the lease, the balance needs to shift, then there can be a provision to adjust the scheduled payments for the remainder of the lease. E.g., if the affordability level in a Co-op increases, the Co-op can apply to have the minimum affordability commitment reassessed, leading to the possibility of negotiations regarding further land rent reductions.
- Land rent formula for RGI units for households earning below HILs:
 - Rental income benchmark for HILs units, for land rent calculation: 30% of the target average income of those units (70% of HILs).
- Land rent formula for non-RGI units:

- Rental income benchmark for land rent calculation is the lower of a 15% discount to CMHC average neighborhood area rents or 25% of median Vancouver incomes.
- The City may implement a Transition Grant to slow the pace of housing charge increases for these households over a seven year period. This will be an additional land rent discount which is phased out over time. Income testing will be required to support the additional subsidy as part of a lease renewal.
- City reserves the right to determine how to adjust lease rate with Co-op in event there are federal subsidies: e.g., adjust the lease rate upward to address the receipt of Federal Operating subsidies and reinvest those savings in other projects or deepen affordability in that Co-op.

4) Payment Structure and Mortgage of Leasehold Interest

1. The rent payment structure for the lease is a combination of: 1) lump sum payment at the commencement date of the lease; and 2) a schedule of periodic payments (e.g., annual lease payments) throughout the term of the lease.
2. Co-ops will not be precluded from obtaining financing, as the payment obligations to their lenders will have priority over the periodic payment obligations to the City.
3. Each Co-op will be required to manage its operations and budgeting such that it can meet its ongoing payments obligations to both its lender (if applicable) and to the City
4. Failure to keep the lease in good standing will constitute a default under the mortgage; and failure to keep the mortgage in good standing will constitute a default under the lease. Therefore, any default by the Co-op in relation to either the Lease or its mortgage security agreements will place the Co-op in default under both arrangements.
5. In a default scenario, it is expected that either the City or the Lender would appoint a receiver manager or implement a workout strategy to attempt to put right the Co-op's finances and bring both the lease and the loan back into good standing.
6. In the case of a City-approved mortgage, a tripartite agreement between the City, the Co-op, and the secured lender will likely be a requirement of any lender. The City anticipates that the following provisions would be part of any such tripartite agreement:
 - a. Lender agrees not to accelerate the loan (i.e. demand the entire balance owing) without ample advance notice to the City.
 - b. City agrees that so long as the lender has not accelerated the loan, the available cash will be applied (after realization costs) first to meet the Co-op's debt service obligations, and then to meet the Co-op's periodic rent obligations.
 - c. City agrees that in the event the leasehold is seized and sold, as to disposition of sale proceeds, the outstanding obligations to the lender will take priority over unpaid periodic rent to the City.
 - d. In a default scenario, the City will maintain its entitlement to scheduled payments from the Co-op in amounts specified or determined in accordance with the lease, and

- any shortfall in remittances to the City will accrue and remain collectable from the Co-op pursuant to the lease, with interest.
7. It is intended that the above provisions would be included in the Lease to provide lenders certainty at the underwriting stage that they will have acceptable protections in the event of a default.
 8. The land rent will be reduced by a credit for unexpired time on the current lease (calculated on a “straight line” basis in current dollars).

5) Accountability and Reporting

- For RGI units: Annual income testing for all RGI members throughout lease term to support land rent discounts provided by the City, and to support any adjustments if required.
- For remaining households (non-RGI): Income reporting every five years and income testing at commencement of lease to access the transition grant.
- For all households, voluntary identity reporting every five years.

6) Other Conditions

- At least 15% of units will be allocated to members for whom the standard breakeven housing charge would represent more than 30% of their pre-tax income.
- The Lessee will make every reasonable effort to secure financial assistance from the provincial or federal governments to reduce the cost of meeting its commitments to house low-income members or funding capital improvements identified in the asset management plan.
- The Lessee will work with other Co-ops toward a coordinated access system for new membership applicants and consider applicants from the BC Housing waitlist/inventory.
- The Lessee, acting reasonably, will adopt and implement unit occupancy guidelines that align with the National Occupancy Standards, or any replacement standards agreed between the City and the Lessee, provided that no member will be required to leave the Co-op as a result.
- The City may perform audits or inspections of the Lessee’s books and records and the Leased Premises where such information is related to the Lessee’s obligations under the lease.
- The Lessee will make reasonable efforts in the renovation, repair and operation of the buildings to improve environmental performance.
- The Lessee will not admit new member households whose monthly income at the time of application is more than six times the prevailing market rent for similar units in the surrounding area.
- The Lessee will not incur debt without the City’s approval:
 - if the debt cannot be fully amortized during the initial 40-year term of the lease, or
 - following the City’s issuance of a Notice of Redevelopment.
- Where the City has a right of approval in respect of consenting to a Co-op’s mortgage, it will not unreasonably withhold such approval.

- The City will work with the Co-op and senior government partners as necessary to enable required borrowing or access to grant programs.
- The City will work with the Co-op and potential lenders as necessary to enable required borrowing, provided the changes do not result in a financial loss to the City.
- The Lessee will include in its Occupancy Agreement with members restrictions on subleasing other than on terms approved by the City.
- The City will support the Lessee in making a joint representations to the Province for reimbursement of any Property Transfer Tax incurred by the renewal of the lease. In the event the Province does not agree to address Property Transfer Tax, the City will not be responsible for any Property Transfer Tax payments or to provide a further land rent discount associated with this cost.
- That renewal leases are negotiated on terms and conditions as outlined in this report, and such other terms and conditions as are satisfactory to the General Manager of Arts, Culture and Community Services, Director of Finance and the Director of Legal Services.

Appendix B: Redevelopment Option Framework

The following are the general principles that will form the basis of the City negotiating renewal leases with individual Co-op providers. The key principles set out in this Appendix are non-binding upon the City and the Co-ops and create no legal rights or obligations for the City or the Co-ops, but provide the general framework and methodology that will guide the City in negotiating renewal leases. Nothing herein shall fetter Council's discretion or the exercise of its authority regardless of when Council is called upon to exercise such authority or discretion. It is important to also note that the recommended principles set out in this framework work in relation to each other and should be viewed as a whole.

In the case where a new lease is granted to a Co-op upon the expiry of its current lease that is for a longer term (e.g., 40 year Term with a 20-year Option to Renew in favour of the Lessee) in accordance with the Co-op lease renewal framework set out in this Report ("**Renewal Lease**"), the Renewal Lease will include certain redevelopment principles ("**Redevelopment Principles**") describing how the City and the Co-op will work together in the event the City elects to initiate, plan, and redevelop the lands leased to the Co-op (the "**Lands**") at a future time during the term of the Renewal Lease, as may be renewed (the "**Term**"). The Redevelopment Principles are summarized below.

If a Co-op proposes the City initiate redevelopment of its existing housing on the Lands leased from the City, the City will make reasonable and good faith efforts to engage with such Co-op, but for certainty, the Redevelopment Principles would not apply unless the City accepts the Co-op's proposal.

REDEVELOPMENT PRINCIPLES:

1. City's Redevelopment Option

- Throughout the Term of the Renewal Lease, the City may, at its option, plan, initiate and redevelop the Lands, subject to the terms herein.
- In identifying potential City-owned sites for redevelopment, the City may consider factors such as the building condition and/or potential for creating more affordable housing arising from, but not limited to, the existing or future potential to increase the density of residential development on the Lands or other lands in the community, taking into consideration the zoning, the official development/community plan(s) or equivalent planning framework.
- Should the City wish to exercise its option to redevelop the Lands, the City may terminate the Renewal Lease between the City and Co-op (at no cost to the City, except as stipulated below) to enable redevelopment of the Lands, subject to meeting the obligations set forth in Section 2 below pertaining to the following:
 - a) Notice Period
 - b) Option for Co-op to lease New Space
 - c) Affordability
 - d) Temporary Relocation
 - e) Outstanding Debt & Capital Maintenance Planning

2. Obligations to the Co-op once the City exercises its option

a) Notice Period

- During the Term, the City will provide at least 5 years' prior written notice to the Co-op advising the Co-op that the City has elected to exercise its option to redevelop the Lands and to terminate the Renewal Lease (the "**Redevelopment Notice**").
- Prior to issuing the Redevelopment Notice, the City will make reasonable, good faith efforts to proactively discuss the City's plans for the redevelopment of the Lands with the Co-op, including matters related to timing of the redevelopment; provided, however, that the City's failure to discuss its plans with the Co-op will not preclude the City from having the right to issue a Redevelopment Notice.
- In all cases, the City, at the earliest time possible, will make reasonable efforts to engage the Co-op and work together in the initiation, planning, and redevelopment of the Lands.

b) Lease of New Space

- After issuance of the Redevelopment Notice, the City will offer the Co-op the opportunity to enter into a new long term lease (typically 40 years or longer and typically 60 years or longer for new construction financed and constructed by the Co-op) for "**New Space**" to replace the existing Co-op units on the Lands. The New Space offered to the Co-op may include but will not be limited to one of the following: the Lands; off-site lands; a portion of the improvements to be constructed within the existing Lands; or a portion of the improvements that have been or will be constructed within off-site lands.
- The Co-op must advise the City within 60 days of the City receiving development approvals for the Lands as to whether it will enter into a new long term lease for the New Space (the "**New Lease**"). The terms and conditions of the New Lease for the New Space will otherwise be consistent with the City's then-prevailing policies applicable to Co-ops and affordable housing, as same may be substituted or replaced from time to time.
- The New Space will include, at least, the number of units occupied by the then-existing registered members of the Co-op and the City will endeavour to work cooperatively with the Co-op to design the New Space to provide appropriate types of units for the then-existing registered members (i.e. number of family units, accessible units, etc.).
- If the New Space is not located within the Lands, the City will endeavor to provide the Co-op with one or more options for New Space that will be located within the neighborhood, or if no viable options are available within the neighborhood¹⁰, as determined by the City, the City will work with the Co-op to find a location for the New Space that is amenable to the Co-op, acting reasonably. Notwithstanding the foregoing, if the Co-op does not accept the offer for the New Space for any reason, the City may continue with its plans to redevelop the Lands and the Renewal Lease will terminate in accordance with the Redevelopment Notice. ⁱ

¹⁰ "Neighborhood" in this context refers to the local planning area in which the co-op is currently located. To learn more, visit the City's local area map: <http://vancouver.ca/newscaendar/areas-of-the-city.aspx>

- The New Lease will include provisions that enable the Co-op to arrange for any necessary financing/funding if the Co-op is required to construct the replacement housing units within the New Space and/or if the Co-op wishes to construct other uses on site, including additional units, which shall all be at the Co-op's sole cost and expense.

c) New Space Lease Affordability/Housing Charges

- Any lease rates that are set below market rates will require Council approval, as a grant, at the time of approval by Council of the New Lease for the New Space.
- The New Lease for the New Space will incorporate lease rates that preserve the affordability for moderate to low income Co-op members registered within the Co-op.
- Funding from senior levels of government will be pursued whenever such funding is available.
- The methodology for determining land rent will be based on the projected revenue and expenses of the project, the project's ability to deliver the level of affordability as agreed by the City and the Co-op, the project's ability to secure construction financing to construct improvements within the Lands or off-site lands (or repay the cost of construction/acquisition of an already constructed asset - e.g. turn-key units within an off-site building), and ensure long-term viability over the term of the New Lease.
- The City's then-prevailing policies applicable to Co-ops and affordable housing will be the policies that will govern at the time the City exercises its redevelopment option for the Lands and the City and the Co-op prepare the New Lease.
- The methodology for the New Lease valuation involves the following housing charge assumptions, subject to change to meet senior government funding/financing requirements:

	EXISTING CO-OP UNITS	NEW CO-OP UNITS
RGI Unit Housing Charges	Will remain consistent with current housing charges and adjusted based on income testing throughout the term of the lease	New housing charges from additional Co-op units created from the project are based on income of the new Co-op member determined at the time of occupancy and adjusted based on income testing throughout the term of the lease ¹¹
Non-RGI Unit Housing Charges	May increase from current to support project viability and not to exceed 30% of the average household income of the existing non-RGI Co-op members Incomes that support low end of market rates will be assumed when determining the average household income of the existing non-RGI Co-op members for individual members that do not	Incomes that support low end of market rates at the time of redevelopment will be assumed for these units and incorporated into the average household income of the non-RGI Co-op members

¹¹ Note: Affordability of any non-co-op units created from the project are based on a minimum affordability determined by the City

	EXISTING CO-OP UNITS	NEW CO-OP UNITS
	<p>participate in income testing at the time of redevelopment</p> <p>Increases in housing charges will also be assumed during the term of the lease to account for anticipated cost escalation and member turnover</p>	
	<p>Non-RGI housing charges will never decrease during the term of the lease and escalate at least with increases in operating costs and projected capital reserve contributions for capital maintenance anticipated in the remaining term of the lease.</p> <p>Any future net operating income will be structured as rent to the City subject to lender requirements, and/or surpluses to be shared with the Co-op, with the Co-ops share used to support future lease renewal payments and/or redevelopment</p> <p>The ground rent and surplus received by the City are to invest in future affordable housing in Vancouver as part of the portfolio strategy within the new Vancouver Affordable Housing Endowment Fund.</p> <p>For reporting purposes, the average income for non-RGI Co-op members is required at least every 5 years during the term of the lease or other frequency aligned with senior government lender requirements</p>	

d) Temporary Relocation

- In the event the City has provided the Redevelopment Notice and the Co-op has elected to proceed with entering into the New Lease for the New Space, but such New Space will not be ready for occupancy at the time the Renewal Lease is terminated:
 - The City will find temporary housing for all then-current registered Co-op member households in reasonably suitable accommodation
 - If the Co-op is leased an asset (existing building or ASP) to maintain/operate for the temporary period, the Lease rate will align with the lease renewal methodology for determining lease rate with lower assumed capex given short term nature of lease (effectively a grant requiring Council approval)
 - If the Co-op is a tenant during the temporary period in a building for a defined number of units (no asset management requirements), Rent is lower of market rates or lease rent in lease renewal methodology for determining gross annual income of the Co-op based on income/affordability
 - The City will make reasonable efforts to locate such temporary housing within the same community.
 - Such temporary housing will be made available until such time as the New Space is ready for occupancy.
- Note: If the Co-op has elected to NOT enter into the New Lease for the New Space, the City will follow the then-existing City policies and/or guidelines regarding individual tenants that are requesting assistance in finding new accommodations.

e) Outstanding Debt & Capital Maintenance Planning

- In the event the City has issued the Redevelopment Notice, the City will commit to:
 - i. Repayment of any debt that the Co-op may have registered against its leasehold interest for capital rehabilitation costs that is outstanding at the time the Renewal

Lease is terminated resulting from the City exercising its option to redevelop the Lands, provided such debt is in good standing and owed by the Co-op to a financial institution under a mortgage, the terms of which were previously approved, if approval was necessary, by the City in accordance with the terms of the Renewal Lease.

- ii. Coordinate with the Co-op on a capital maintenance plan during the 5-year period following delivery of the Redevelopment Notice so capital investments made by the Co-op are reflective of the redevelopment time horizon and adequately manage the condition of the existing Building prior to redevelopment.