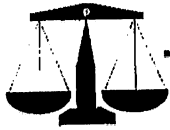


Sept 19



ANDREW PATON, Q.C.

September 19, 2007

Sent Via Email: Imacdon1@toronto.ca

181 University Avenue
Suite 2200
Toronto, Ontario M5H 3M7
Tel: (416) 644-1288
(416) 644-1289
Email: apaton@qclaw.ca

Ms. Lynda MacDonald
Old City Hall
100 Queen Street, East Tower
18th Floor
Toronto, Ontario

Dear Ms. MacDonald:

**Re: 150 Sudbury Street, City of Toronto
Artscape/Westside Project Proposal**

This is further to my letter to you of August 20, 2007 wherein in co-operation with Artscape and Active 18, we presented a proposal to include a major Artscape facility in the Westside project.

Since my previous letter, there have been many discussions within the city and with you and your staff. My client thought it useful to provide to you in writing their latest proposal. My client continues to believe that this is not only a very exciting proposal but one that has tremendous benefits for not only Artscape but for the City.

The offer includes the following:

1. Artscape

- West Side will sell Artscape 56,000 sq. ft. GFA of space finished to a proper live/work standard, including kitchens with four appliances, bathrooms and heating/ air conditioning systems.
- Artscape will have its own dedicated lobby and over-sized elevator.
- The selling price will be \$150.00 per sq. ft. for a total purchase price of \$8,400,000. The space will accommodate approximately 72 individual units. There will be a range of unit sizes with a minimum of 550 useable square feet, floor to ceiling height of no less than 10 feet, access to natural ventilation through operable windows and controlled mechanical ventilation, and meet day-lighting standards for residential developments.
- Artscape intends to set up a separate corporation to own and operate the units. They will pay their share of common expenses but these will be minimized, for example, by not using some of the condominium facilities such as the fitness facility, swimming pool, concierge service, etc.

- The Artscape space will be located in the first four floors of the East Building, including all of the ground floor units facing Abell Street. The ground floor units will have individual entrance doors on Abell Street and could be used by artists to show their work.
- In my previous letter, I provided you with an appraisal showing the value for the Artscape space of over \$19,000,000. I again attach a copy of the appraisal. The appraisal reinforces that this proposal, with this aspect alone, provides a public benefit of over \$10 million.

2. Parkland

- West Side will make a cash-in-lieu of parkland contribution of \$2,500,000 to be used by the city for the purchase of additional land for the proposed park on Lisgar Street, adjacent to this project.
- Payment for the park contribution will be secured by a Letter of Credit which must be lodged with the City no later than the issuance of the full building permit for the project.

3. Built Form

- Enclosed is a Site Plan that will be attached to the final form of the Zoning By-law. The following is a summary of the massing.
- The West Building will have a six storey base (20.5m) stepping back to an overall height of 9 storeys (29.5 metres).
- The East Building has a similar six storey base (20.5m), stepping back to an overall height of 9 storeys (29.5 metres). The portion of the East Building at the south, facing the existing CN/GO rail corridor, will rise from the base to an overall height of 18 stories (59 metres).

4. Sudbury Street

- West Side will convey to the City the land it owns required for the Sudbury Street extension at no cost to the City.
- West Side will pay the cost of building their portion of the Sudbury Street extension including the required services, berm/retaining wall and remediation, if required, to MOE standards.
- The City will give West Side Development Charge Credits for the building and servicing of the Sudbury Street extension.

The City will agree to support West Side's Consent Appeal to sever the required Sudbury Street extension prior to commencement of construction.

5. Abell Street

- West Side will convey the land it owns required for the Abell Street right of way to the City at no cost.
- The City holds a Letter of Credit from Westside in the amount of \$110,000.00 which West Side will contribute as its sole contribution towards the cost of any improvements to the Abell Street extension.

6. Section 37

- The sale to Artscape of 56,000 sq. ft. of space will satisfy any Section 37 requirement in full.

7. Timing

- Upon acceptance of this offer, West Side will submit a revised Site Plan submission within two weeks.
- The City will provide comments within two weeks after that and provide a form of Site Specific Zoning By-law and OPA by no later than October 30, 2007.
- A shoring and excavation permit will be issued by the City without the customary requirement for submission of a full building permit and a final site plan approval.

8. Combined Servicing/Loading Ramp

- As requested, West Side and 48 Abell have agreed on a combined access road and ramp which already forms part of your settlement with 48 Abell.

9. Non Residential Density

- The Artscape space will satisfy this requirement

10. Details of publicly accessible LOS

The following areas shall be publicly accessible:

- Courtyard: the entire north courtyard.
- Between 48 Abell (west tower) and 150 Sudbury Street (west building): at a minimum, the drivable surface shall be publicly accessible.
- Between the West Building and the East Building: all parts of the landscaped open space which are not within 3 metres of a portion of a building façade which includes a window of a residential unit at the ground floor.
- Activities that are generally permitted in public parks (without the need for special permits) would be permitted in these publicly accessible areas.
- Access would not be limited by time of day.

11. Projection Permissions

- Balconies in the nine storey base buildings may project no more than 0.75 metres from the building façade and balcony projections may not exceed 50% of the length of the building façade at any given storey.

12. Parking

- The Artscape parking requirement will be 10%. The remainder of the project will satisfy the WQW Triangle Zoning By-law.
- Bicycle parking will be provided as per the Zoning By-law rate of 0.75 bicycle spaces per unit and will be capped at 200 total bicycle spaces.

13. Housing Mix

- A minimum of 10% of the units, excluding the Artscape space, will be 2 bedrooms.

14. Indoor Amenity Space

- It is agreed that the proposed 6,000 sq. ft. of amenity space satisfies the By-law requirement.

15. Energy Conservation

- The project will be LEEDS registered and will follow a rigorous process that includes energy conservation and recycling of materials to obtain LEEDS certification.

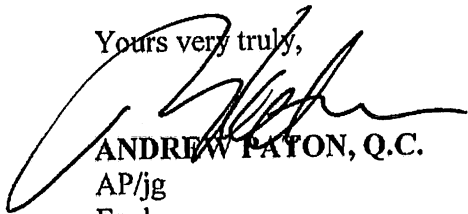
16. Divisional Court Appeal

- If this offer is accepted, the City would immediately withdraw its Divisional Court Appeal and agree not to initiate any other litigation or administrative review concerning planning approvals with respect to 150 Sudbury Street;
- West Side would agree not to seek costs from the City with respect to the Divisional Court or S.43 Appeal.

All parties agree that they will endeavor to complete all matters including Site Plan approval for presentation to the Ontario Municipal Board at the hearing to commence on November 26, 2007.

If you have any questions, please do not hesitate to contact me or my client directly.

Yours very truly,



ANDREW PATON, Q.C.
AP/jg
Encl.

cc Westside Lofts
Tim Jones
Kevin Beaulieu kbeauli@toronto.ca
Dawne Jubb

MACKENZIE, RAY, HERON & EDWARDH

Real Estate Appraisers & Consultants

Established 1928

250 Dundas Street West
Suite 503
Toronto, Ontario MST 2Z5

Telephone: (416) 591-1515
Facsimile: (416) 591-1220
E-Mail: yvonne@mrhe.com

July 31, 2007

Urbancorp
100 King Street West
Toronto, Ontario
M6K 1E6

Attn: Mr. Mike Kirchmair
Chief Financial Officer

Re: Westside Lofts
150 Sudbury Street

Mr. Mr. Kirchmair:

Further to your request, we have reviewed the information provided on the above project and provide for you, the following Letter of Opinion.

The purpose of this appraisal is to estimate the market value of the Subject Property based on market conditions existing as of the effective date of the appraisal, July 31, 2007. The report has been prepared for Urbancorp, to assist with a purchase and sale negotiation of the 56,000 square feet. All others are considered non-intended users and the report may not be relied upon by other parties without written consent from the appraiser.

The property rights appraised herein are those of the 'fee simple' interest.

We have completed this assignment in conformity with CUSPAP, however, the reporting of the conclusion to value has been indicated in a letter format as requested by the client.

Please be advised that this letter is based upon certain parameters which we have retained in our file. Of particular importance however are the following items:

1. The space being valued consists of 56,000 square feet situated on the lower floors of the building, all of which is residential space. A more precise definition as to unit numbers etc. has not been provided.
2. Our opinion has been based upon the sales data as provided, any changes to these sales may have an affect on the market value.

The sales-to-date, as provided, range from \$277 to \$422 per square foot, prior to parking. Differences which influence sale price include, but are not limited to, such items as height and location within the building as well as unit size, the smaller the unit the higher the unit rate reflected.

On an overall basis, an average sale price per square foot is \$338, it is important to note that this overall average number is net of GST.

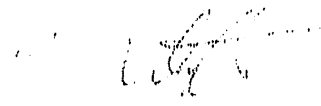
Based on the foregoing and with reliance placed heavily upon the sales evidence as provided, we feel that an average unit rate of \$338 per square foot, net of GST, would be reasonable for the 56,000 square feet of residential space. Therefore, the following estimate of value can be set out as follows:

56,000 sq.ft. @ \$338/sq.ft.	=	\$18,928,000 net
Rounded to		\$19,000,000 net

If you require any further information, please do not hesitate to contact the undersigned.

Yours truly,

MacKenzie, Ray, Heron & Edwardh


Yvonne Whyte
AACI, P. Appl.

YW/mm

**Overview of the settlement offer from Urbancorp
(revised September 17 2007)**

The revised proposed settlement offer from 150 Sudbury Street includes:

Built form

- a 64.0 metre (20 storey) tower instead of 48 metres (15 storeys) as approved by the OMB;
- lengthening the tower by 2 bays
- 8 storey base building height remains as approved by the OMB at 25 metres plus mechanical;
- narrower north courtyard (reduction of setback to north property to 7.5 metres results in a 14.8 m wide courtyard instead of 20.8 m wide as per OMB);
- widen base buildings by 1 metre each;
- fewer stepbacks;
- limits on balconies

Parkland

- no parkland on-site (elimination of 25% or 0.18 hectares) but increase in cash-in-lieu payment to \$2.5 million. Additional residential density of approximately 40,000 sq.ft. would be located in the City's preferred south park location.

Density (all figures in GCA, not GFA)

- further increase in density above the amount that the OMB would have approved, if there was no parkland on site (estimated by the owner at an additional 96,000 sq.ft increase);
- total GCA density of approx. 409,300 sq.ft. according to the drawings
- there remains disagreement about what amount of space results from the OMB approval with parkland on-site. Based on the City's interpretation of the OMB decision, which the owner does not support, the owner estimates the increase in space to be approximately 146,000 square feet.

Artscape units

- 5,200 sq.m. or roughly 56,000 square feet of space sold to Artscape at \$150/square foot (72 units); and
- Artscape sells 20 units at a profit, possibly as ownership artist live/work units, possibly securing them for resale only at affordable rates and only to artist households.

Sudbury Street

- Urbancorp pays to clean up the land for Sudbury Street and provides documentation from the Ministry of the Environment that it meets suitable site specific risk assessment standards.
- City buys land for Sudbury Street for \$1.00.
- Urbancorp pays for portion of constructing Sudbury Street, provided City refunds any applicable development charges for roads and servicing

Abell Street

- Urbancorp pays to clean up the land for Abell Street and provides documentation from the Ministry of the Environment that it meets suitable site specific risk assessment standards.
- City buys land for Abell Street for \$1.00.
- Urbancorp pays \$110,000 towards the construction of Abell Street, from a letter of credit in relation to a previous proposal for the site. The City pays for the remainder of the construction costs for that portion of Abell Street

Section 37

Value of settlement elements, as proposed by Urbancorp

Items	Ball park value	Who?
0.18 hectares of parkland	\$ 2,500,000	Landmark pays
Land for construction of Sudbury Street	\$1,500,000	City purchases for \$1
Land for Abell Street	\$ 500,000	City purchases for \$1
Construction of portion of Sudbury Street, including services, street trees, sidewalks minus development charges	\$ 500,000	City refunds applicable roads portion of development charges Landmark pays the rest
Construction of half of portion of Abell Street, including services, street trees, sidewalks	\$ 250,000	Landmark pays \$110,000 City pays the rest
Remediation to SSRA levels of Sudbury Street lands	Unknown	Landmark pays
Remediation of Abell Street lands	Unknown	Landmark pays
Share of servicing on Sudbury and Abell	\$ 65,000	City refunds applicable servicing portion of development charges. Landmark pays the rest
Crash wall	\$ 900,000	Urbancorp pays

Subject: Fw: 150 Sudbury]
From: michelle@steamworks.net
Date: Wed, 19 Sep 2007 14:38:56 -0000 (GMT)
To: <chascamp@sympatico.ca>
CC: active18@googlegroups.com

Subject: 150 Sudbury

Hi Alan,

On further reflection, I think it would be helpful to include more detail in the settlement offer to reflect the terms in the "Terms for Discussion" we sent to the City earlier. In other words, can you add the following:

- * The words "over-sized" in reference to the elevator
- * The units will have the following attributes: a range of unit sizes with a minimum of 550 useable square feet, floor to ceiling height of no less than 10 feet, access to natural ventilation through operable windows or other suitable unit controlled mechanical ventilation, and meet day-lighting standards for residential developments as defined by the Ontario Building Code and City of Toronto Property Standard By-law.
- * West Side will work collaboratively with Artscape to reach a mutually acceptable design and unit layout that includes a detailed schedule of fixtures, fittings, and finishes prior to the execution of an agreement of purchase and sale.
- * Artscape will set up a separate corporation that will own and operate the units. This corporation will pay for utilities, taxes, insurance, maintenance, capital improvements, fire safety, security and a proportionate share of common area costs related to its units. The new corporation will not be responsible for any other costs related to the project including but not limited to marketing and operating expenses. West Side will work with Artscape to minimize common area costs related to artist live/work units.
- * Artist live/work tenants will not contribute to and therefore not have access to amenities such as concierge, fitness centre or other facilities that may be provided to condominium owners in the balance of the project.

The only new piece that it would be helpful to include that has not been discussed pertains to the timing of the agreement of purchase and sale. Here's what I would suggest.

"The City, Artscape and West Side agree that Artscape and West Side will enter into a mutually acceptable purchase and sale agreement prior to the issuance of a building permit for the development."

I'm in meetings all morning but will have my cell with me 416 804-1038.

Cheers,

Tim