

Quayside Phase 1 Ground Lease Key Terms

	Heading	Terms
1.a)	Landlord	<p>City of Toronto</p> <p>Throughout this list of key terms, the term “Landlord” shall be used to refer to the City of Toronto in its role as landlord pursuant to the lease(s) to be entered into in accordance with this list of key terms (the “Lease”), and the term “City” shall be used to refer to the City of Toronto in its roles as a municipality, an approval authority pursuant to the <i>Planning Act</i> and the <i>City of Toronto Act, 2006</i>, and a counter-party to the affordable housing Contribution Agreement and other related agreements.</p>
1.b)	Tenant	<p>One or more Non-Profit Corporations selected to lease each of Blocks 1B, 1C1, 1C2 and 1C3 in accordance with the RFP.</p>
1.c)	Demised Lands	<p>For the Lease for 1B, the Demised Lands shall consist of a stratified parcel within 1B where approximately 170 residential units are to be constructed on floors 2 to 14.</p> <p>For the Lease for 1C1, the Demised Lands shall consist of a stratified parcel within 1C1 where approximately 141 residential units are to be constructed on floors 2 to 12 and a ground-floor residential lobby.</p> <p>For the Lease for 1C2, the Demised Lands shall consist of a stratified parcel within 1C2 where approximately 119 residential units are to be constructed on floors 2 to 12 and a ground-floor residential lobby.</p> <p>For the Lease for 1C3, the Demised Lands shall consist of a stratified parcel within 1C3 where approximately 119 residential units are to be constructed on floors 2 to 12 and a ground-floor residential lobby.</p> <p>The Tenant acknowledges that it shall accept the Demised Lands in “as is, where is, with all faults” condition. The Landlord makes no representations or warranties relating to the Demised Lands or the Tenant's use thereof. The Landlord makes no representations or warranties relating to the fitness for use, physical condition, environmental condition, soil condition, or quality of the Demised Lands or the extent of utilities servicing the Demised Lands. The Tenant shall be obligated to accept the Lease and the Demised Lands subject to all permitted encumbrances, as outlined in the Lease.</p> <p>For the purposes of this list of key terms, “Proposed Development” means the development intended to be implemented on the Demised Lands by the Tenant, in accordance with all necessary development approvals, a list of drawings approved by the Landlord and provided to the Tenant, and this list of key terms.</p>

1.d)	Lease	The Tenant acknowledges that to the Landlord will provide it with a draft lease that includes the requirements of this list of key terms and such other terms as are required by the Landlord as it applies to the development of the affordable housing located on the Demised Lands. The parties shall be required to finalize and execute the Lease (and the applicable confirmations and agreements contained in schedules thereto), the Contribution Agreement, and other agreements relating to the Proposed Development in accordance with the process to be set out in a term sheet to be executed by the Tenant during the Negotiation Period, in accordance with the terms of the RFP, failing which, subject to any mutually agreed extension, the parties will discontinue negotiations.
2.	Commencement Date	The date (the “ Commencement Date ”) on which the Landlord provides written notice to the Tenant confirming delivery of vacant possession of the Demised Lands to the Tenant.
3.	Term	99 years from the Commencement Date.
4.a)	Basic Rent	Nominal.
4.b)	Additional Rent	Completely net and carefree lease to the Landlord. Tenant to be responsible for all costs, expenses and outlays of any kind relating to the Demised Lands and Tenant’s use thereof. Tenant to be responsible for any land transfer tax payable with respect to any leases, sublease, surrenders or other conveyances required pursuant to this list of key terms or the Lease.
5.	Use	Tenant shall construct, use, manage and operate the Demised Lands continuously, actively and diligently for the principal purpose of the provision of net-new affordable rental housing to be operated in accordance with the Contribution Agreement.
6.a)	Proposed Development	<p>Sustainability</p> <p>Tenant acknowledges that the Proposed Development shall meet or exceed the requirements of the Canada Green Building Council Zero Carbon Building – Design Standard.</p> <p>Accessibility</p> <p>The Tenant acknowledges that it is required to construct, operate and manage the Proposed Development such that a minimum of twenty percent (20%) of the affordable rental housing units satisfy the accessibility standards using the CMHC Affordable Housing Fund Program’s accessibility criteria.</p> <p>Fair Wage Policy</p> <p>All contractors, including sub-contractors, must be acceptable to the Landlord, in consultation with the City’s Fair Wage Office.</p> <p>The Tenant shall comply with the City’s Fair Wage Policy and Labour Trades Contractual Obligations Policy in the Construction Industry, as same may be amended from time to time. Prior to entering into any contract for work in relation to any public facilities or capital</p>

improvements on the Demised Lands, the Tenant shall forward information on the proposed contract to the City's Fair Wage Office at 100 Queen Street West, City Hall, 18th Floor, West Tower, Toronto, Ontario M5H 2N2, Fax No. (416) 392-0801, for review. The Tenant shall ensure that such work is performed in compliance with any collective agreement to which the City is bound in the construction industry, and which apply at the time that construction commences. The Tenant further acknowledges that any violations of any collective agreement may result in grievances being filed against the City and/or applications being made to the Labour Relations Board. The Tenant agrees to indemnify the City for any costs, damages, settlements and/or legal expenses associated with any violations of any collective agreements to which the City is bound in the construction industry as a result of a breach by the Tenant of its obligations in this subsection.

6.d) No Applications

Tenant shall not have the right to apply to the City for any Official Plan amendment, zoning by-law amendment, minor variance, draft plan of subdivision, if applicable, or consent at any time without the prior written consent of the Landlord, which may be withheld in the Landlord's sole and unfettered discretion.

6.e) No Appeals

In the event the Tenant appeals any decision or non-decision of the City or the Committee of Adjustment with respect to any development approvals or otherwise in respect of the Demised Lands, to the LPAT, TLAB or to any court without the prior written consent of the Landlord, which may be withheld in the Landlord's sole and unfettered discretion, this shall constitute a default under the Lease and, without limiting any other rights or remedies available to the Landlord, the Landlord shall have the right to terminate the Lease. Nothing in the Lease shall derogate from the authority of the City as the applicable planning authority to review and approve the Proposed Development.

6.f) Easements

The Tenant acknowledges and agrees as follows:

- (i) where this list of key terms or the Lease or any Schedule thereto references an easement interest, and such easement cannot be granted by the Tenant owing to the nature of its leasehold property interest, the Tenant's leasehold interest shall nonetheless be subject to such similar and comparable rights in favour of the applicable third party (excluding the City) who would otherwise benefit from such easement. The Tenant further acknowledges and agrees that, prior to the Commencement Date or such other date as may be set out in the Lease or any Schedule thereto, the Tenant shall enter into an agreement on the Landlord's standard form or provide such other assurance as may be required confirming the terms of such easement or rights in the nature of an easement; and
 - (ii) where this Term Sheet or the Lease or any Schedule hereto references an easement interest in favour of the City, prior to the Commencement Date or such other date
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as may be set out in the Lease or any Schedule thereto, the Tenant shall:

- a. grant to the City such easement interest over the Tenant's Leasehold Interest, in form and content satisfactory to the City, together with any postponements required by the City related thereto; and
- b. prepare and cause to be registered a reference plan of survey on title to the leasehold parcel for the Demised Lands to describe the portion of the Demised Lands that is subject to such easement, all at the sole cost and expense of the Tenant.

7. General & Capital
Repairs & Maintenance

Tenant shall construct and maintain the Proposed Development to the standard resulting in a facility condition index score of not greater than ten percent (10%), as verified by an independent third party duly qualified consultant or through an independent third party building condition assessment, and to a standard of operation, care, finishes and fixtures for similar residential buildings of a similar age and size in the general vicinity of the Demised Lands ("**Maintenance Standard**") and bear, save as expressly set forth in the Lease, all costs associated with maintenance, repair and replacement during the Term. This obligation includes all capital repairs and replacements including without limitation major repairs and replacements to elevators, roofs, exterior windows and cladding, parking structures, chillers, boilers, etc. and renovations required to maintain the Maintenance Standard. Every five (5) years during the Term, at the sole cost and expense of the Tenant, the Tenant shall provide the Landlord with an updated building condition assessment, together with all inspection, testing and maintenance records for the Proposed Development, to confirm compliance with the facility condition index requirements in this Section 7, and short-term (3 year) and long-term (10 year) capital repair and maintenance plans. Following receipt of written notice from the Landlord, the Tenant shall be obligated to promptly rectify any deficiencies identified in the building condition assessment and provide the Landlord with satisfactory evidence that such deficiencies have been rectified.

Beginning 30 days prior to the issuance of the first occupancy permit for the Demised Lands, or such other date as agreed upon by the Landlord in writing, the Tenant shall deposit in a trust account at a Canadian chartered Bank an amount equal to five per cent (5%) of the aggregate annual effective gross income (including all subsidies) from the Demised Lands, including any rent supplement income and affordability payments from the Province of Ontario, the City of Toronto or any other municipality (the "**Reserve Fund**") to be deposited monthly in estimated amounts, adjusted within 60 days of the end of each Rental Year (as defined in the Lease) to reflect actual effective gross income from the Demised Lands for the preceding fiscal year (the "**Reserve Fund Deposit**") as further set out in the Lease. The Landlord reserves the right, acting reasonably, to review the amount of the Reserve Fund Deposit with each

building condition assessment conducted and to require the Tenant to increase the amount of the Reserve Fund Deposit where the Landlord has determined in its sole discretion that the amount of the Reserve Fund Deposit is not sufficient to establish at the end of each Rental Year the annual amount required in the most recent building condition assessment. Annual contributions to the Reserve Fund shall be in addition to any interest earned by the Reserve Fund. Interest earned in the Reserve Fund is to accrue in the Reserve Fund. All amounts in the Reserve Fund shall revert to the City, as landlord, absolutely at the end of the Lease. The Tenant may, with prior written consent of the Landlord, withdraw amounts from the Reserve Fund to fund Capital Improvements to maintain the same in the condition required to be maintained under the lease or under the most recent BCA reviewed by the Landlord.

The Reserve Fund requirements shall be subject to any terms negotiated between the Landlord, the Tenant and CMHC during any period where CMHC is a Leasehold Mortgagee.

8.	Condition of Demised Lands at end of Term	At the expiration or earlier termination of the Lease, the Tenant shall surrender the Demised Lands to Landlord in good order, condition and repair, apart from reasonable wear and tear consistent with the Building age, maintained to the Maintenance Standard required by the Lease.
9.	Tenant Covenant to Complete Proposed Development	<p>Tenant shall diligently prosecute and complete the construction of the Proposed Development in accordance with the timeframes set out in the Lease.</p> <p>The Tenant shall submit to the Landlord for approval, its schedule for the Proposed Development.</p> <p>Except in the case of force majeure or delays attributable to the Landlord in its capacity as Landlord and not in its capacity as a municipality, if the Tenant fails to meet any of the timelines set out in the Lease, without limiting any other rights or remedies available to the Landlord, the Landlord shall have the right to terminate the Lease.</p>
10.	Performance Security for Construction Obligations	<p>Prior to the commencement of construction on the Demised Lands, the Tenant shall deliver to the Landlord the Performance Security (as hereinafter defined), which shall remain in place until substantial performance of the Proposed Development. The Tenant may apply to the Landlord on the anniversary of each year following the Construction Commencement Date (as defined in the Lease), for a reduction in the Performance Security, provided that at any given time, the then outstanding amount of the Performance Security shall not be less than fifty percent (50%) of the then current Cost to Complete (as defined in the Lease).</p> <p>“Performance Security” means a labour and materials and performance bond in respect of the Major Subcontracts for the Tenant's Initial Work issued by a surety each in an aggregate amount equal to a minimum of Fifty Percent (50%) of the Project Budget, together with a dual obligee rider naming the Landlord as additional</p>

obligee thereunder, in a form acceptable to the Landlord, acting reasonably.

If the Tenant secures financing from CMHC through the Affordable Housing Fund or a comparable CMHC program for the Proposed Development and provides CMHC with performance security that is comparable to the Performance Security, the Landlord may, in its sole and unfettered discretion, waive the Tenant's obligation to provide Performance Security under the Lease. This waiver is contingent upon the Landlord receiving written evidence that such performance security required by CMHC is in place and will remain in place for the duration required by CMHC.

The Tenant acknowledges that additional financial security obligations relating to construction of required parks, roads and services and matters specific to the site plan approval process will be further set out in the Lease, or other agreements in relation to the Proposed Development, as applicable, and will be required to be provided in the form of the City accepted form of letter of credit or certified cheque.

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| 11. | No-Subordination and Ground Lease Acknowledgment Agreement | Lease shall not be subordinated by Landlord to Tenant's secured financing; however, in the event that the Tenant finances the Property, the Landlord shall, upon request of the Tenant and its Lender, enter into a ground lease acknowledgment agreement (in a form to be negotiated and attached to the lease). |
| 12. | Leasehold Mortgages / Loans | Leasehold Mortgages permitted without Landlord Consent but subject to Landlord approval of the lender, acting reasonably, and subject to certain leverage ratios and customary lease provisions with respect to the granting of leasehold mortgages, subject to reasonable negotiation when such lenders may be involved in financing the project. |
| 13. | Assignment and Subletting | No assignment, sublease (other than to residential tenants) or other transfer, including transfers by operation of law, by Tenant without Landlord consent, acting reasonably, the assignee must be a qualified non-profit housing provider. Landlord shall be permitted to unreasonably or arbitrarily withhold consent to an assignment in its sole discretion until completion of all phases of the Proposed Development. |
| 14. | Public Transit Interference | Lease to include City's standard interferences confirmation and release.
Tenant will include TTC and Metrolinx standard interferences clause, where applicable, in all leases/subleases with residential, retail and commercial tenants/subtenants. |
| 15.a) | Confirmation and Release | Lease to include City's standard confirmation and release language regarding all claims, including environmental claims, which language requires the Tenant to assume full responsibility for the environmental condition of the site and indemnify the Landlord for any claims made with respect to such environmental condition past or present. |
| 15.b) | Environmental | The Tenant shall either (i) comply with all obligations of the owner |

pursuant to any Risk Assessment, Certificate of Property Use and/or Record of Site Condition with respect to all or any part of the Demised Lands, and/or (ii) at the Landlord's option, pay to the Landlord all costs incurred by the Landlord in complying with all or any obligations of the owner pursuant to any Risk Assessment, Certificate of Property Use and/or Record of Site Condition with respect to all or any part of the Demised Lands. With respect to any work completed by the Tenant pursuant to Section 15.b)(i) the Landlord may, at its option, and at the Tenant's sole cost, appoint a qualified person to monitor the Tenant's compliance with the Risk Assessment, Certificate of Property Use and/or Record of Site Condition.

The Tenant is obligated to comply with City policy that the acceptable un-impacted material barrier thickness "soft" and "hard" caps in City parks, roads and right-of-ways must be at least 1.5 meters in depth, and greater if required.

Upon surrender, release or conveyance of any part of the Lease or the Demised Lands to the Landlord (e.g. roads, parks), the Tenant shall provide to the Landlord such evidence as is necessary to satisfy the Landlord, acting reasonably, that the Tenant has complied with the requirements of any applicable Risk Assessment, Certificate of Property Use and/or Record of Site Condition, and has not caused further contamination of the Demised Lands.
