

January 22, 2018

Large & Company
607 Vancouver Street
Victoria BC V8V 3T9

Attention: Kim Colpman

Dear Sirs / Mesdames:

**Re: Affordable Housing Project 736 Princess Avenue, Victoria BC
CMHC Insured First Mortgage Financing**

I attended a meeting with CMHC on January 9, 2018. We met with the underwriter for your loan and with CMHC's principal underwriter for the BC region.

I am pleased to report that the feedback to date has been positive. The local CMHC office has not fully completed their review but this is expected to be completed within the next few weeks. The principal underwriter indicated that the only exception to CMHC policy is for the size of the units but CMHC has approved similar sized micro-units in the past and he does not anticipate an issue here. Once the local CMHC office has completed their review, they are expected to recommend approval to CMHC's 11 person credit committee which meets weekly.

CMHC's affordable housing program requires that the total residential rental income of the property must be at least 10% below its potential residential rental income as supported by an appraisal report; and a minimum of 20% of the units must be affordable with rents at or below 30% of the median household income in the subject market. An appraisal was completed by a qualified appraiser and provided to CMHC who have indicated that the proposed rents appear to meet their criteria. Your company will be required to provide evidence to First National Financial LP that the actual rents being charged at initial lease-up comply with the approval and then provide annual evidence that the rents on the affordable units have not been increased at higher than the provincial allowable rate. Failure to comply with the affordable housing requirements shall, at CMHC's option, constitute a default under the mortgage.

First National Financial LP is the largest provider of CMHC rental apartment financing in Canada, funding over \$3 billion per year. We believe that the CMHC application for 736 Princess Avenue meets CMHC's criteria and has a strong probability of approval.

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Yours truly,



Russ Syme
Assistant Vice President
Commercial Financing