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September 29, 2008

District of Mission
8645 Stave Lake Street
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Attention: Mayor James Atobe and Council,

Dear Mayor Atobe and Council:

Re: Silverdale in South-west Mission

Thank you for meeting with Madison and Genstar on September 11th and thank you for inviting us to put our thoughts on paper. The following are the points we raised on September 11th, many of which were also raised before the District at our meeting with Mission City Council August 18th.

Firstly, with respect to the Phased Development Agreement as currently drafted, although we are not philosophically opposed to the contents in general, obviously the obligations therein are an additional burden on the development of the land in question. The economics of development in Silverdale are already very challenging and for that and other reasons we would like the District to consider these thoughts and suggestions.

- a) The PDA needs to be sole and separate, not joint and several between Madison and Genstar.
- b) There must be the ability to assign the agreement to subsequent owners, complete with a release to the seller. We would expect the DOM to require any assignment be executed by a purchaser and delivered to the District prior to release, but no other restrictions or liability can be placed on a seller.
- c) Ways that the financial impact of the PDA can be softened need to be investigated. One way would be to increase the benefiting/contributing area. All costs treated "pay as you go" rather than front end cash will help as well. It is important to note that the Mission lands will be competing with developers from Cedar Valley and other surrounding municipalities. For example, neither Abbotsford nor Maple Ridge has these PDA commitments nor comparatively high up front infrastructure costs.

Secondly, access to the property for roads and utilities will require easements and rights of ways to be acquired from third parties. A land agent has been commissioned and considerable work has been done. However, this exercise must be completely successful as a single hold out will make utility provision impossible. In addition, the economics will not allow for any payments for this access beyond a reasonable and fair value. To ensure success, help from the District will be needed to show willingness to and if necessary to enact expropriation.

Also we would like to note that in order to have confidence that the infrastructure cost for Silverdale can be spread over the necessary benefiting area, it may well be that prior to committing the funds or starting construction, the zoning and development commitments (PDA etc.) will need to be in place for at least Neighbourhood One and Two, such that the "rules of development" are in place for a large enough area to bear the up front expenditures.

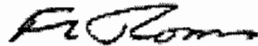
GENSTAR

Lastly, and most importantly, a financing scheme is needed to provide the back bone and off site utilities. For Neighbourhood One we estimate that the upfront infrastructure currently proposed will be providing capacity for five times the development area. By the end of Neighbourhood Two the ratio will be improved but it will still be the case that infrastructure will be provided beyond the needs of the area developed. Although the suggestion of Genstar and Madison funding same and then being in line for latecomer's repayments has been discussed, the economic models we have now completed show that this would not be viable. Therefore, we must come up with a way for all land owners to be on the same basis, paying for their share of the infrastructure as they require it. Assistance from the District including approaching other levels of government for consideration of alternative methods of financing the infrastructure will be needed.

Having complex issues still on the table is not unusual at this point in the process. We recognize the importance of the issues noted here and we would expect to search for acceptable resolutions during the period of the remaining approval process, prior to Final Reading of the land use Bylaws. We look forward to the next step, the Public Hearing which begins October 21st, 2008.

As always, we appreciate the open and direct dialogue with Mission Council and the community. This relationship will be paramount in moving through the next steps.

Yours truly,



Frank Thomas
GENSTAR DEVELOPMENT COMPANY