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(Sent electronically)

7 May 2004

Ms. Alexandra Wilson
Executive Director
Co-operative Housing Federation of Canada
311- 225 Metcalfe Street
Ottawa, Ontario
K2P 1P9

Dear Alexandra:

I am very pleased that we are moving ahead with a new approach to the administration of federal co-operative housing programs.

As we discussed yesterday, the proposal currently before the co-operative housing sector, and referred to in the proposed news release, involves a phased-in approach to the delivery of certain services you outlined in your national agency proposal. The progressive transfer of functions/services will be based on achievement of agreed-upon performance goals for each phase. We agreed that work is still required to review the services to be performed in each phase, although we did discuss CMHC's suggested "bundling" of work; the appropriate timelines for achievement of the work in each phase; the related performance measures and associated fees.

You have indicated it is CHF's intent to move forward with the creation of a non-profit agency to contract with CMHC for the performance of these functions. It is recognized that there are certain "up front" costs specifically associated with the creation of the agency structure. Based on your proforma, you have estimated them to be in the range of \$200,000 - 300,000. These costs do not include the on-going costs of operating the agency, which we expect will be included in the fee for the services rendered in each phase.

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CMHC is quite comfortable in contracting with the agency for the services to be performed and recognizes that the fee to be paid will include reasonable overhead costs associated with the on-going operation of the agency. With respect to the "up front" organizational costs, we are prepared to loan CHF these funds if needed. The loan would be forgiven once the last phase of the project is entered into or would be repaid to CMHC should the contract end earlier.

As next steps, I propose we maintain the current momentum on the preparatory work you have already begun with CMHC. Concurrently with this work, and upon approval of the revised concept proposal by each organization, we will proceed to hammer out the details of the contract.

This is an exciting new opportunity for both organizations. We look forward to working collaboratively with you and your colleagues on this new approach in the months and years ahead, for the benefit of residents of co-operative housing.

Yours sincerely,



Karen Kinsley
President