

May 17, 2004  
File: 74-11.01

**Via Fax: 604-291-9120 (Original by Mail)**

Bosa Development Ltd.  
500 - 1901 Rosser Street  
Burnaby, BC  
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**Attention: Richard Weir**  
**Vice President, Real Estate Acquisition**

**RE: ENVIRONMENTAL DUE DILIGENCE REVIEW –  
ST. MARY'S HOSPITAL, NEW WESTMINSTER, BC**

This letter outlines our findings and conclusions regarding environmental conditions at the St. Mary's Hospital site in New Westminster. We understand this summary letter will be relied upon to assess financing related to the building acquisition.

To reach this opinion, we reviewed the following reports:

- "Phase 1 Environmental Site Assessment, 220 Royal Avenue, New Westminster, British Columbia", Golder Associates Ltd. (Golder) March 2, 2004
- "Draft Report on Limited Phase II Environmental Site Assessment, St. Mary's Hospital, 220 Royal Avenue, British Columbia"[sic], Golder Associates Ltd. April 14, 2004
- Draft Letter: "Hazardous Building Materials Survey, St. Mary's Hospital, 220 Royal Avenue, New Westminster, British Columbia" Golder Associates Ltd., February 20, 2004.
- "DRAFT Summary Report for Asbestos Abatement Performed by Pinchin Harris Holland Associates Ltd. (PHHA) and PHH Consulting Ltd. (PHHC) St. Mary's Hospital, New Westminster, BC" February 4, 2004.

#### **SUMMARY OF SITE CONDITIONS**

The site is on an east-west commercial/institutional street separating predominantly residential areas to the north, from the commercial district to the south, in New Westminster. The area generally slopes steeply to the Fraser River to the south. The multi-lot site is occupied by:

- a seven-storey hospital building built in 1955 and significantly added to in 1966 and 1994;
- related surface parking lot; and
- vacant residential lot.

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Before 1955, the site was occupied by a much smaller facility, consisting of one small main building and 8 outbuildings, including a carpentry shop and incinerator.

## GOLDER FINDINGS

Environmental risks highlighted by Golder include:

1. Historical underground fuel storage tank removed in 1994, with no records from removal. Testing of soil and groundwater near the tank found no evidence of residual contamination.
2. Existing 50,000L underground diesel fuel storage tank. Integrity testing found no leak and testing of nearby soil and groundwater found no evidence of contamination.
3. Asbestos in certain floor tiles. The Phase 1 report indicates a program of asbestos removal from 1990-1994. There is no indication that Golder reviewed these reports.

The Golder report includes the conventional elements of a Phase 1 site investigation, as well as Phase 2 investigation of asbestos risks and fuel storage tank risks identified in the Phase 1.

## REVIEW

We note the following based on our review:

Historical Tank – The likelihood of significant contamination is small based on Golder's work. The findings indicate residual contamination, if any, is minor.

Existing Tank – The likelihood of significant contamination is small. Integrity testing can miss leaks that are significant over time because of limitations of the testing technology, but the absence of groundwater or soil contamination suggests that the volume of soil that could be affected is small.

Hazardous building materials – The investigation of hazardous building materials is fine as far as it goes. A reasonable rule of thumb for the identified ACM tile abatement costs are approximately \$1-\$2.5/sq. ft. for vinyl floor tile on concrete, and so not material in the context of building demolition/renovation. For a more comprehensive understanding of the asbestos containing materials present within the building, a survey of the inaccessible areas i.e. opening up of wall cavities would be required.

We assume there is no PCB containing transformers on site and that other regulated building materials such as Lead based paints (LBP), and Ozone Depleting Substances(ODS) can be managed within the contingency sum.

A destructive survey would be required to confirm that asbestos is not hidden in spaces not accessible to a non-destructive screening survey. Without such an investigation, we cannot assess costs. However, we understand that an allowance of \$50,000 has been included in the demolition cost for hazardous materials abatement by Quantum Environmental Group, who commissioned the reports we reviewed. A further unallocated \$155,000 contingency is

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included within the demolition estimate. We assume they also had access to information regarding the 1990-1994 asbestos removal. We understand the Quantum estimate was not made for the vendor, but instead to assess the liability of the Province of British Columbia, who lease the site from the vendors. As such it was used to set the compensation of the vendor for demolition. Quantum is an experienced and reputable asbestos abatement and hazardous waste management contractor. Taken together, we believe this indicates the estimate is likely to represent a reasonably safe estimate of this liability.

Other issues – Golder did not identify any other risks. We note the following:

1. The site has been a hospital for many years, and mercury has been widely used in medical instruments (which break or otherwise lose their mercury). Often mercury metal would end up in drains, and because of its high density would tend not to leave the site. (Soluble mercury compounds were used as disinfectants, but they are unlikely to have remained onsite). We consider the risk of mercury contamination of sewer utility corridors to be significant, but investigation is impractical at this time. Such contamination could only be addressed if the building were demolished. The cost to address this contamination, if present, will be modest compared to the cost of demolition, provided the work is planned in advance.
2. Onsite disposal of medical and incinerator wastes in early years cannot be discounted based on available information. Since the small incinerator was within the existing building footprint, the most "at-risk" soils were removed by construction of the existing building. While we do not expect to find major surprises relating to environmental contamination, some small surprises may be encountered if the site is comprehensively excavated.
3. The hospital is a Schedule 2 use. As such, a site profile will need to be submitted if the site is redeveloped. We expect the Ministry of Water, Land and Air Protection to require investigation. An allowance for both the time and cost of obtaining these documents needs to be included in plans for the site.

We recommend that \$100,000 be allowed to address these "other issues" costs collectively. In all likelihood, costs will be substantially lower than this.

## CONCLUSIONS

A Phase 1 and Phase 2 investigation conducted in 2004 by Golder Associates Limited generally complies with the standard expected of a Phase 1. The issues identified in the Phase 1, two underground diesel fuel storage tanks, and asbestos, were investigated. No contamination associated with underground fuel storage tanks was found. Some asbestos containing material was found. Allowance for management of some identified and unidentified asbestos has been included in demolition/renovation estimates for the building. These allowances are likely to be realistic. A few minor issues not discussed in the Golder Phase 1 may have an effect on site development. Demolition/renovation of the building should include allowance for asbestos management, for any minor contamination issues that do turn up, and to provide such environmental signoffs as may be required. We understand

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\$50,000 has been set aside for hazardous materials abatement and a unallocated \$155,000 contingency has been included in the demolition cost. Based on the issues we are aware of, we recommend \$100,000 allowance for other risks and for environmental signoffs.

### STANDARD LIMITATIONS

PGL prepared this report for our client and its agents including the Royal Bank exclusively. PGL accepts no responsibility for any damages that may be suffered by third parties as a result of decisions or actions based on this report.

PGL relied on the listed documents for site information to prepare this opinion and as such, the limitations of our review are at least as great as those documents.

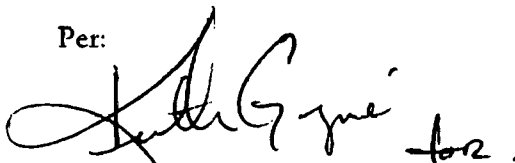
The findings and conclusions are site-specific and were developed in a manner consistent with that level of care and skill normally exercised by environmental professionals currently practicing under similar conditions in the area. Changing assessment techniques, regulations, and site conditions means that environmental investigations and their conclusions can quickly become dated, so this report is for use now. The report should not be used after that without PGL review/approval. Cost estimates are a best estimate assuming proven, available management options, current costs, and use of limited information on site conditions. As with all remedial cost estimates, this remedial estimate is accurate within a factor of two at best and can change substantially as available options/costs change.

The project has been conducted according to our instructions and work program. Additional conditions, and limitations on our liability are set forth in our work program/contract. No warranty, express or implied, is made.

We trust that this meets your needs. If you have any questions or require clarification, please contact Will Gaherty or Ned Pottinger at 604-895-7601 and 604-895-7600, respectively.

### POTTINGER GAHERTY ENVIRONMENTAL CONSULTANTS LTD.

Per:



William Gaherty, M.S., P.Eng.  
Vice President



E.L. (Ned) Pottinger, M.Sc., P.Geo., P.Ag., QEP  
President

WDG/ELP/vy

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Attachments: "Phase 1 Environmental Site Assessment, 220 Royal Avenue, New Westminster, British Columbia", Golder Associates Ltd. March 2, 2004

cc: **Kelly McKnight**  
Senior Account Manager

*Bosa Development Ltd.*  
*R. Weir*

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