

ATTAINABLE HOMES CALGARY CORPORATION

2015 BUSINESS PLAN



“We didn’t plan on buying a home.
We didn’t think it would be possible.”

Pictured: Ryan, Amanda and their eldest daughter in the family's brand new attainable home at Skymills, Skyview Ranch. Ryan works for The City of Calgary's Waste & Recycling Services department and Amanda is a stay at home mom to their three young children.



TABLE OF CONTENTS

INTRODUCTION	3
Organizational overview.....	3
Program partners.....	3
MARKET OVERVIEW	4
2014 key market indicators.....	4
2015 outlook.....	4
DEVELOPMENT OVERVIEW	5
2015 land development projects.....	5
2015 unit acquisitions.....	5
STRATEGIC GOALS	6
2015 BUDGET	7
Statement of income.....	8



INTRODUCTION

In Canada's energy capital, households making less than a six-figure income have been left behind. The price of real estate has historically outpaced wage increases and the cost of renting leaves little room to save for a down payment. Many everyday, hardworking Calgarians have seen the reality of owning a home grow ever more distant.

Attainable Homes Calgary Corporation (AHCC) exists because The City of Calgary and community leaders saw the need to bridge a serious gap in the housing market, to help those Calgarians with a moderate income who are being locked out of home ownership. It is a market-driven solution relieving some pressure on the local housing crunch and opening up more choices for citizens.

ORGANIZATIONAL OVERVIEW

Attainable Homes Calgary Corporation (AHCC) is a nonprofit social enterprise and wholly owned subsidiary of The City of Calgary that delivers well-appointed, entry-level homes for Calgarians who have been caught in the city's growing housing affordability gap.

Through our **Attainable Home Ownership Program**, we connect builders, lenders, lawyers and others to bring down the upfront costs of buying a home for Calgarians with a moderate income.

How the program works:

- We offer below market prices on well-appointed apartment condos and townhomes.
- Qualifying home buyers contribute a \$2,000 deposit and receive an equity loan (non-cash down payment) to go towards the purchase price of their attainable home.
- When the home owner decides to sell or refinance their home, a portion of the home appreciation is shared with AHCC to be reinvested in the program to serve more Calgarians.
- The longer the home owner lives in the attainable home, the more of its appreciation they keep to a maximum of 75 percent after three years.
- Initial margins on home sales cover overhead expenses, while unit resales are intended to replenish and expand the program.

PROGRAM PARTNERS

BUILDERS AND DEVELOPERS

- Cidex Developments Ltd.
- Lexington Development Management Inc.
- Mattamy Homes
- Partners Development Group
- Streetside Development Corporation
- Truman Homes

MORTGAGE INSURERS

- Canada Mortgage and Housing Corporation
- Genworth Canada

PROGRAM MORTGAGE PROVIDERS

- Alberta Treasury Branch
- Axiom Mortgage Solutions Inc.
- Bank of Montreal (BMO)
- Canadian Western Bank
- Canadian Imperial Bank of Commerce (CIBC)
- First Calgary Financial
- Royal Bank of Canada (RBC)
- TD Canada Trust

LAWYERS

- Bennett Jones
- Brian Lester Law
- Gorman Gorman Burns & Watson
- Kahane Law Office
- KH Dunkley



2015 MARKET OUTLOOK

Calgary Real Estate Board’s 2015 forecast indicated that overall MLS sales are expected to fall due to current energy price softness. However, it said prices in Calgary are expected to remain relatively stable with a modest increase.

We expect 2015 to be a softer year for Calgary’s economy in general, but we expect demand at our end of the market will remain strong. The need for attainable homes continues because there are few other housing options available to the people we serve.

A big turnout for AHCC’s first sales launch of the year was a strong indicator. On January 31, we sold 21 townhomes in two hours. Furthermore, on February 18, around 60 citizens attended an open house to view available apartment condos at Skymills.

Over 4,000 Calgarians have completed the home education session and are ready to buy an attainable home as soon as the right opportunity comes up. Hundreds of Calgarians are seriously engaged and communicating with the organization on a regular basis through social media, by phone and email.

Calgary key market indicators, as of 2014:

- Median family income \$98,300 (Stats Canada)
- Interest rate 3% (Prime lending rate)
- Rental vacancy rate 1.4% (CMHC)
- Average 2-bed apartment rent \$1,267 (CMHC)
- Average MLS condo apartment sale price \$324,122 (CREB)
- Average MLS condo townhouse sale price \$362,571 (CREB)
- Calgary Housing Company waitlist 3,624 (CHC)



Pictured: The first person in line at the busy sales launch on January 31 signs a form to buy a three-bedroom townhome for his family. We sold 21 townhomes in just two hours at Cityscape and ARRIVE at Skyview Ranch Arbour for possessions later this year.



DEVELOPMENT OVERVIEW

AHCC works with private builders to deliver all of its homes. This year, we will continue to develop land purchased from The City of Calgary and we will bulk-buy units in existing developments.

2015 land development project goals:

- Complete unit possessions at 1740 9 Street NW, Mount Pleasant, Ward 7
- Launch sales and complete unit possessions at 5305 32 Avenue SW, Glenbrook, Ward 6
- Break ground and launch sales at 4818 Varsity Drive NW, Varsity, Ward 1
- Engage a building partner and secure a development permit for 7112 34 Avenue NW, Bowness, Ward 1
- Continue conversations with City Administration regarding new parcels of land

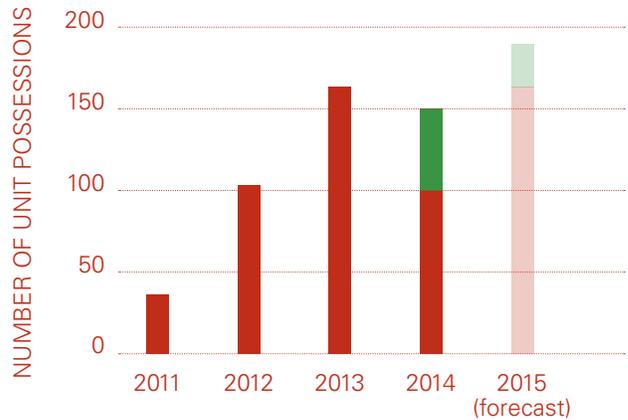
2015 unit acquisition project goals:

- Complete unit possessions at 51 Oak by Truman Homes in Mahogany, Ward 12
- Launch sales and complete unit possessions at Skyview Ranch Arbours by Partners Development Group, Ward 3
- Launch sales and complete unit possessions at Cityscape by Mattamy Homes, Ward 3
- Complete unit possessions at Skymills by Truman Homes in Skyview Ranch, Ward 3
- Launch sales at Sunalta by Lexington Development Corporation, Ward 8
- Continue conversations with builders regarding potential opportunities and acquire homes at other locations

The current market provides opportunities to procure additional inventory. In a softer market, builders are assessing different ways to manage their risks and AHCC offers assistance with finishing projects and meeting pre-sales targets. We have a large and unique database of followers who continue to be excited about opportunities to get on the property ladder and to enjoy the stability of ownership.

We are willing to negotiate with any other company in Calgary that has units that meet the criteria of the program. Our homes are typically:

- One- and two-bedroom apartment condos
- Two- and three-bedroom townhomes
- Priced between the low \$200's and mid \$300's
- Located in Calgary city limits
- With condo corporations and condo fees
- New builds, although we have offered renovated townhomes in the past



■ Unit possessions through unit acquisitions
■ Unit possessions through AHCC land developments



In 2014, the AHCC board of directors approved a five-year strategic plan (2015 – 2019) which outlined ***three strategic themes to guide progress over the next five years:***

- Grow, diversify, re-balance, repeat
- Work with Calgary Housing Company and others
- Implement new forms of ownership/construction

The following goals for 2015 work on each of these themes as we begin to execute the directions of the longer-term strategy.

2015 STRATEGIC GOALS

1. GROW, DIVERSIFY, REBALANCE, REPEAT

Our sustainable model requires that we source and sell between 175 and 225 units per year, and we need the same number of units exiting the program every year in order for the program to fully benefit from the shared equity.

2015 growth goals:

- Sell a minimum of 200 units in 2015
- Make a minimum of one land use application and another approved development permit on AHCC sites
- Have a minimum of 200 future units under contract for 2016
- Undertake a review of the shared appreciation model and recommend amendments to further strengthen the program

2. WORK WITH CALGARY HOUSING COMPANY AND OTHERS

There is no one model that can solve Calgary’s housing and accommodation problem. Instead, there needs to be greater cooperation between the organizations that occupy similar spaces on the housing continuum.

2015 partnership goals:

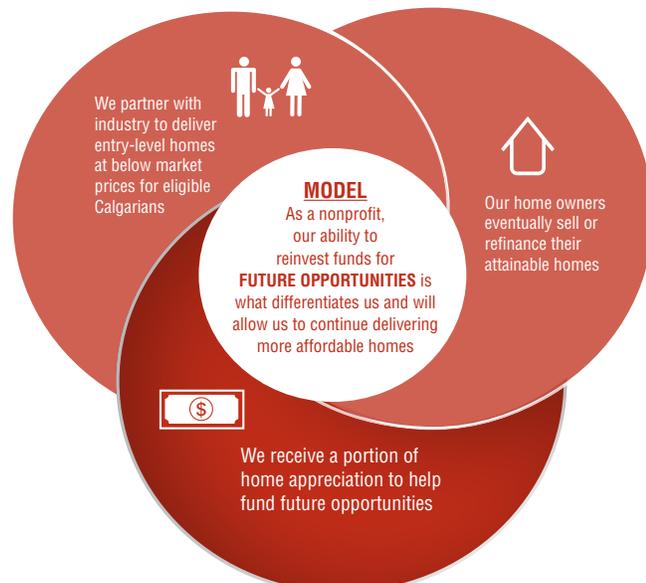
- Work with City Administration and other stakeholders to develop a *Community Affordable Housing Strategy*
- Provide targeted marketing materials to CHC clients who may be eligible to move to attainable ownership
- Provide opportunities to increase collaboration between AHCC and CHC at the board and management levels
- Discuss future joint ventures between AHCC and CHC
- Explore other community agencies to extend the reach of our program

3. IMPLEMENT NEW FORMS OF OWNERSHIP/ CONSTRUCTION

The strategy must look at other diversified and innovative forms of ownership, including the perpetual model, leasing, stair-casing, shared equity and others. In building and construction, we will look at undertaking project management internally, using subsidiaries similar to our Westbury Park project as appropriate, and we will consider other partnership and financial arrangements that increase the value of the program. These opportunities could be pursued with existing and new builder partners.

2015 model goals:

- Review the community land trust as a model for future development sites
- Review AHCC survey instruments to build a better understanding of our customer base
- Consider a pilot project with stakeholders and partners using alternative construction materials to reduce time and costs





2015 BUDGET

BUDGET OVERVIEW

The 2015 budget approved by the AHCC board of directors was deemed necessary to operate at minimal expenditure while having enough resources to achieve the mandate of the organization. It reflects firm contracts we currently have in hand for 182 unit possessions in 2015 and additional possessions could occur, depending on construction of development projects in Glenbrook and Varsity.

In light of current economic uncertainty, the AHCC board and management team are prepared.

The AHCC board of directors and management conducted a detailed review in January to discuss the 2015 outlook and the following conclusions were made relating to the 2015 budget:

- The board reviewed the pipeline for 2015 unit possessions and noted that **half of the homes were already under firm contracts.**
- Projected cash outlays and inflow from possessions were assessed on a month-by-month basis and it was determined that the forecast was realistic and the cashflow profile reasonable.
- To ensure AHCC can remain vigilant to changing circumstances and opportunities throughout the year, a dashboard of key performance indicators has been updated for management to report monthly regarding margins, sales, cash flow and balances, the unit pipeline, and any significant overhead variances. The board will closely monitor the program and the budget as necessary.
- **Reforecasting will be undertaken throughout the year** and the board and management will reallocate funds on a tactical basis, if necessary, particularly in the area of marketing with an increased focus on promoting projects to meet sales targets.
- In spite of what could be a potentially volatile market in 2015, the board is excited with the prospect for AHCC to be able to procure additional inventory for 2015 and 2016.

2015 BUDGET
STATEMENT OF OPERATIONS

	2014 BUDGET	2014 ACTUALS	2015 BUDGET
REVENUE			
Sales	52,043,688	38,280,176	48,555,932
Sales - land			
Gain on sale of land		5,658	2,368,227
Interest revenue	5,000	6,331	5,000
Equity income	1,989,771	1,991,745	292,963
Sponsorship revenue	2,500	6,005	
Other revenue	30,000	83,505	40,000
	\$54,070,959	\$40,373,420	\$51,262,122
EXPENDITURES			
Cost of goods sold	48,146,304	35,839,826	44,071,181
Cost of good sold - land			
Marketing and sales	378,500	271,037	357,000
Professional fees	235,000	306,204	272,500
Occupancy expenses	148,120	121,218	150,166
Salaries and benefits	1,357,379	1,213,198	1,325,643
Amortization of tangible capital assets	35,000	14,872	35,000
General and administrative	170,900	95,899	114,500
Interest expense	97,500	97,467	68,000
(Gain) Loss on equity receivables		734,220	(208,137)
	\$50,568,703	\$38,693,941	\$46,185,853
OPERATING SURPLUS	\$3,502,256	\$1,679,479	\$5,076,269

GROSS MARGIN ON UNIT SALES

	2014 BUDGET	2014 ACTUALS	2015 BUDGET
Sales	52,043,688	38,280,176	48,555,932
Cost of sales	(48,146,304)	(35,839,826)	(44,071,181)
Share from JV partnership	1,989,771	1,991,745	292,963
GROSS MARGIN ON UNIT SALES	\$5,887,155	\$4,432,095	\$4,777,714



Visit www.AttainYourHome.com for full program details.

Should you have any questions, please contact David Watson.

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