



2014 Business Plan

Message to Calgary City Council

Calgary City Council created Attainable Homes Calgary Corporation (AHCC) in 2009 with a clear goal: to make it possible for more Calgarians to buy their own home. The organization was designed to be an independent, self-sustaining housing corporation that would leverage City-owned land and select a small set of preferred builders.

Because of the pioneering and adaptive nature of what we are doing, the results to date have exceeded expectations.

The five-year pro-forma budget approved by City Council in 2010 forecast that 200 families would be living in attainable homes to date, which we have surpassed by over 50 percent. It also anticipated that AHCC's cumulative cash flow would show a deficit of \$6.2 million in 2014. However, we have performed better than expected and have been generating enough cash each year to cover our operating expenses. We also have a growing share of appreciation in each of the homes, which we will collect when our homeowners decide to sell their units, representing a benefit that is currently recorded on our balance sheet as being worth approximately \$4 million.

Over the last few years, we have developed a strong brand in the marketplace and our collaborative approach has earned the respect of industry. We currently have seven building and development partners and we have projects in every quadrant of the city.

Demand for attainable homes has consistently exceeded supply, confirming the need for more attainably-priced entry-level homes for ownership in Calgary. Over the last year we nearly doubled our database of website registrations. Following the June 2013 floods, we experienced a dramatic increase in the number of enquiries from people considering the possibility of owning rather than renting, as the vacancy rate in Calgary declined, rents increased and moderate-income Calgarians had fewer housing options. Many Calgar-

ians discovered they could own an attainable home for the same cost or less than renting, as well as enjoying the stability of ownership and the opportunity to build equity.

We have proven that AHCC is one of the differentiated solutions to the housing crunch in Calgary and our business model is working.

In 2014 and beyond, we will relieve some pressure on market and subsidized rentals by helping more people into attainable homeownership. We will continue to help families that are employed in the city and want to put down roots in Calgary communities. Whether they are young families, recent immigrants, elderly, couples or singles, they all share the common desire to own a piece of Calgary and AHCC offers the opportunity for people to help themselves and help the community. With continuing support from City Council and Calgary communities, we can transform more underutilized spaces into highly desirable multi-family developments. Strong existing partnerships with industry will enable us to continue delivering homes at affordable prices and without government subsidies.

The 2014 Business Plan outlines key projects and strategic goals that will build on our strong track record to date.

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Business Model Overview

Vision

Attainable Homes Calgary Corporation offers first homes that moderate-income Calgarians can afford to buy.

Mission

We bridge the housing affordability gap by enabling moderate-income Calgarians to buy an entry-level home.

Mayor Naheed Nenshi presents keys to new attainable homeowner, Jessica, at SkyWest in 2013. Photo by Stuart Gradon, reprinted with permission of The Calgary Herald.



How it works

We connect developers, builders, bankers, lawyers and insurers to bring down the upfront costs of buying a home.

To deliver entry-level homes at attainable prices, AHCC is developing a number of its own vacant sites and it also bulk buys units from builders at discounted rates. The discounts that we pass on to our homebuyers is recognized by lenders and insurers as an equity loan – otherwise known as a gifted down payment – which means that buyers don't have to come up with the sizeable down payment that is required on the market. We only ask that each of our homebuyers contribute a \$2,000 deposit, they must attend an education session, qualify for a mortgage, and the attainable home must be the homebuyer's sole and permanent residence.

When an attainable homeowner eventually decides to sell, the unit is sold on the market and we share the home appreciation with the homeowner. The longer an attainable homeowner lives in a unit, the larger their share in its appreciation to a maximum of 75 percent. As a non-profit organization, our share in the home appreciation is re-invested back into the program, expanding our ability to benefit more Calgarians.

The business model was designed to become self-sufficient and sustainable over the long-term and it does not rely on ongoing government subsidies.

As the program matures and enters the next phase in its growth, we will address a number of critical challenges. The volume and timing of sales, amount of home appreciation, our land supply, and continued support of our partners will impact the time it takes to become a truly self-sufficient organization. We will identify new ways to supplement our sales revenues to ensure we can continue to operate sustainably for the long-term.

To recover costs upfront, support our overheads and reduce our reliance on the unspecified timelines of the shared appreciation plan, we will negotiate with our building partners and in specific cases we will incorporate a small number of market-priced units in our development projects.

Market Overview

AHCC has developed a solid position in the local marketplace by delivering affordable units and a program that enables more people to transition from market and subsidized rentals to ownership.

Calgary's historical affordability gap

While Calgary has one of the highest median family incomes in Canada, the wealth has not been distributed evenly and people working in certain sectors have historically benefitted more than others.

The University of Alberta's Parkland Institute says Calgary has become Canada's most unequal city, as the top one percent of Calgarians saw an increase in real income of \$570,000 between 1982 and 2010, while the bottom 90 percent saw an increase in real pay of only \$2,000 over the same 28-year period.

Housing affordability remains a challenge for moderate-income Calgarians

Over the last year, housing prices in Calgary were driven up by a shortage of inventory, steady increases in population, and strong economic growth.

A record level of migration continued to support rental demand and the June 2013 floods put downward pressure on the vacancy rate to a low of one percent by October 2013, and increasing the average rent for a two-bedroom unit by 7.2 percent to \$1,224 per month, according to Canada Mortgage and Housing Corporation (CMHC). CMHC also reported that total housing starts in the Calgary region were down slightly from 2012, which impacted the level of available housing.

All types of housing appreciated during the fourth quarter of 2013, with condominiums experiencing the greatest year-over-year price growth at seven percent and an average price of \$269,778, according to Royal LePage's House Price Survey and Market Survey Forecast. Detached bungalows cost an average of \$468,967 and standard two-storey homes rose to \$461,089.

Many homebuyers said they would turn to family for the upfront costs of buying

a home. A survey by Bank of Montreal found that 27 percent of first-time homebuyers in Canada expect family members to help them purchase a house.

In January 2014, Calgary Real Estate Board (CREB) reported that the unadjusted family benchmark price was \$476,600, requiring nearly \$25,000 to cover the minimum five percent down payment.

We expect demand will continue to exceed availability of units in 2014

CREB is forecasting that a slowdown in net migration should help ease some of the pressure throughout 2014, but overall prices are predicted to continue rising.

We anticipate that inflated home prices combined with a continuing shortage of affordable homes on the market, low vacancy rates, and increasing rents will continue to drive demand for attainable homes in 2014 and beyond.

Our existing database of email subscribers will support unit sales as many people have expressed interest in 2014 and future projects. We currently have over 11,000 email subscribers, in addition to over 2,500 followers on social media and an average of around 13,000 website visits every month. In addition, over 2,600 people have invested time in learning about ownership at our home education sessions, which demonstrates serious interest in purchasing.

Target Market

The hardworking Calgarians we serve can afford a mortgage but need some support coming up with the sizeable down payment required on the competitive market.

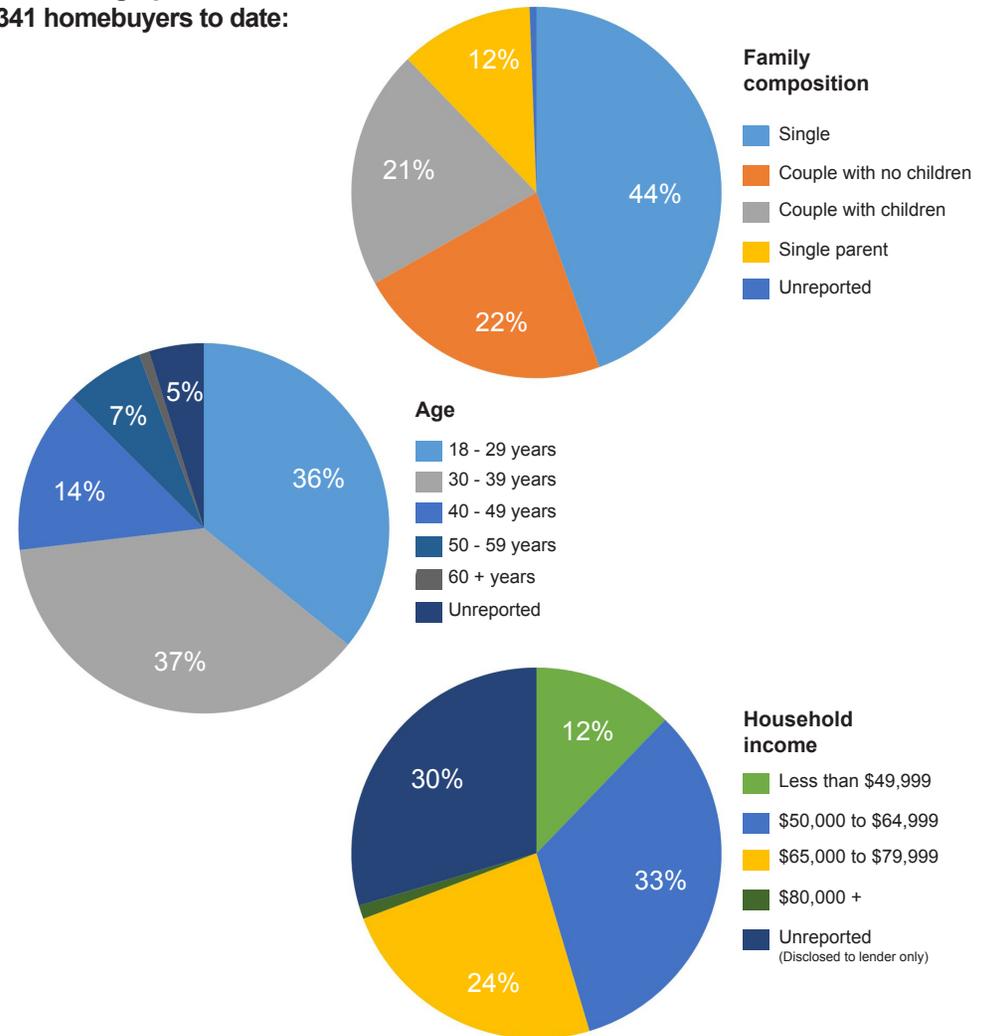
One of our key challenges continues to be engaging people who don't realize that homeownership in Calgary is a possibility. Many people believe AHCC is too good to be true. By strengthening our brand and striving to reach new demographics through marketing and communications activities, we are continually attracting and educating new people.

We also have an opportunity to help more people transition from subsidized near market rental housing into attainable homeownership, which would relieve some pressure on Calgary Housing Company's waiting list. We have had several successes in the past but, in 2014, we will increase our work with CHC to identify other ways to encourage more residents to consider buying an attainable home.

As we develop more of our own sites, we will have greater flexibility and capacity to incorporate larger units, which we anticipate will attract more families. All of the attainable homes to date have been acquired from industry and most of them have been one- and two-bedroom units.

Many of our homebuyers to date have been employed in the MASH sector (municipal organizations, academic institutions, schools and health and social services organizations), aged between 18 and 39 years old, and with annual household income between \$50,000 and \$79,999. Nearly 50 percent of people who have registered interest in attainable homeownership were referred to us by a friend or family member, and we will continue to target our existing networks through marketing and communications activities in 2014.

The demographics of 341 homebuyers to date:



Key 2014 Projects

Our attainable homeownership solutions are implemented through a strategic combination of *development projects* on our land and *unit acquisitions* through industry partnerships.

To keep up with increasing demand for attainable homes and to earn sufficient margin to cover our overheads, we must continually engage industry to source additional units. Our aim is to complement our development projects with existing or partially-constructed units that will increase our inventory in the short-term.

Westbury Park groundbreaking ceremony



Current *development projects* in 2014:

- Glenbrook, Ward 6 – We have applied for a Development Permit and expect to break ground on the townhouse and apartment development in the second half of 2014.
- Varsity, Ward 1 – We are preparing to apply for a Development Permit in the first half of 2014 and anticipate that construction on the apartment building will start in the last quarter.
- Bowness, Ward 1 – In 2014, we will subdivide the site.
- Westbury Park, Ward 6 – Currently under construction in partnership with Truman Homes, we have already launched sales and expect possessions in the second half of 2014.
- Mount Pleasant, Ward 7 – Currently under construction in partnership with Lexington Development Management, we will launch sales in the second quarter of 2014 and expect possessions in the first quarter of 2015.

Current *unit acquisition projects* in 2014:

- ARRIVE at Redstone, Ward 3 – The two-bedroom townhomes have already sold out and our homebuyers will move into their homes in the last quarter of 2014.
- Cityscape, Ward 3 – We recently launched sales for the two- and three-bedroom townhomes and anticipate possessions in early 2015.
- Evanston Square, Ward 2 – We recently launched sales for the one- and two-bedroom apartment condos for possessions in the second quarter of 2014.
- Origins at Cranston, Ward 12 – The final seven two-bedroom townhomes will be completed and occupied in the first quarter of 2014.
- SkyWest, Ward 3 – We expect a total of nearly 100 households to be living in two-bedroom apartment condos at the development by year end.
- Treo at Beacon Heights, Ward 2 – We will continue to sell one-bedroom apartment condos for quick possessions throughout the first half of 2014.

2014 Strategic Goals

A sales associate assists a homebuyer at the AHCC sales centre



AHCC has reviewed its progress and priorities and established the following seven strategic goals for 2014.

1. Strengthen preferred partnerships

AHCC relies on the support of building and development partners. We work closely with industry on our own development projects, as well as bulk buying other units whenever possible.

In 2014, we will develop five-year plans to plot future opportunities with existing partners to maintain our relationships and offer a healthy pipeline of units for our homebuyers. We have developed some very strong working relationships with key industry players who agree that housing affordability is one of the key issues facing our city. It is important to foster those partnerships and continue working together to help more people enter the property ladder. We will also continue to engage the development and homebuilding industry to assist other businesses with pre-sales and finishing projects whenever possible.

We have recently boosted our in-house development and building resources to manage an increase in the number of partners and projects.

Rendering of the Mount Pleasant development project



2. Land pipeline

It takes several years for a development concept to become a reality, because of the time required to rezone a site, create a detailed design, secure the development and building permits, identify a partner, and finally construct the units. For this reason, we want to make sure that we secure additional future sites.

We will continue our discussions with City administration and others to source and supply vacant sites that we can add value to.

This year, we will negotiate for specific sites that meet our development criteria. Proximity to major transport routes and Calgary Transit, the parcel size and potential unit yield, as well as walkability of the site are some of the factors we will consider.

3. Customer relations

We spend a lot of time with our homebuyers before they move into their attainable homes, with the education session, show suite viewings, and appointments to ensure the AHCC contract terms are properly understood. However, several years can pass before a homeowner decides to sell their attainable home, so

2014 Strategic Goals

Rendering of ARRIVE at Redstone



we need to review and extend our communications for continuing education to ensure the homeowner understands the process before making the decision to sell. With over 300 households currently living in attainable homes across Calgary, we have a growing network to support and a growing asset base.

In 2014, we will also strive to collect additional data to better illustrate our successes. We will review the survey questions that we distribute to our homeowners both when they receive their keys and a year later, although current data indicates we have a 96.4 percent satisfaction rate at the time of possession, and a year later 98.2 percent of homeowners are satisfied with the price they paid for their property. In addition, 94.2 percent of our homeowners reported greater pride in their home and 90.6 percent reported greater optimism for financial success in the future. As well as understanding the people we are serving, we will ensure we have a thorough understanding of where the demand is coming from.

4. Become a sustainable organization

Over the past few years, we have increased our revenue, diversified our projects, expanded our partnerships, and refined our policies to strengthen the program and become more independent. But we still have work to do to become a

Rendering of the Westbury Park development project



sustainable organization over the long-term.

We must particularly focus on achieving greater financial flexibility to achieve financial sustainability. One of the key challenges is a current lack of sustainable credit to allow us to manage our lumpy cash flows. A lumpy cash flow profile is the nature of our business, as we often make significant upfront investments in projects, which can take years to develop and generate a good return when completed. Any subsequent cash shortfalls can impact our flexibility to pursue new opportunities. Therefore in 2014, AHCC will investigate the feasibility of implementing a more flexible credit arrangement with The City of Calgary, which would provide a long-term solution to ensure we can efficiently source funds for new projects.

5. Streamline processes

With more sold units and greater interest than ever before, we must review and refine our internal processes to efficiently manage an increasing workload.

In 2013, The City of Calgary implemented an audit of our sales processes to identify any areas for improvement, and we will work to implement the recommendations throughout this year. We will also hire a new staff member in 2014

2014 Strategic Goals

SkyWest



to wholly focus on the many administrative and conveyancing tasks involved in a growing number of sales transactions.

Continuous improvement of the shared appreciation model is another critical task in 2014. Only a few of our homeowners have sold their attainable homes to date, but we expect more to start moving. We will continually review the process and monitor the proceeds of home appreciation to evaluate how the model can be improved.

6. Community relationships

By consulting our communities and The City of Calgary, we can revitalize under-utilized sites and the areas in which they are located.

In 2013, we recruited the Federation of Calgary Communities Executive Director to our Advisory Committee. The Federation's involvement means that we will have regular, direct dialogue with the organization and ensure its members learn about our developments early in the process.

This year, we will increase our communication with The Federation members through its newsletter and events. We will also continue to communicate directly

Rendering of Evanston Square



with our community associations to proactively identify any problems or opportunities regarding current development projects. Councillors, planners, utility engineers, transportation and parks specialists at The City of Calgary will continue to be our thoughtful partners and we will work closely to achieve common goals.

7. Build brand, enhance reputation

Last year, we dramatically increased our presence in traditional and social media, which attracted more website traffic and registrations than previous years. In the second half of the year, we positioned AHCC as an important solution to the worsening housing crunch in Calgary.

In 2014, we will work with the media and industry associations to strengthen our reputation as an expert on Calgary's housing crunch and affordability gap. Keeping in touch with our homeowners and communicating success stories will be important to create meaningful dialogue and narratives throughout the year. We believe our homeownership solutions are unique and we will demonstrate that we are making a real difference.

Partners and Supporters

We can only deliver high quality homes at attainable prices because of the goodwill and support of our building and development partners.



We are also very thankful for the many contributions from our legal, lending, insurance and other professional partners.

- Alberta Treasury Branch
- AMEC Environment & Infrastructure Amped Consulting Ltd.
- Bank of Montreal (BMO)
- Bennett Jones
- Brian Lester Law
- Canada Mortgage and Housing Corporation
- Canadian Western Bank
- Canadian Imperial Bank of Commerce (CIBC)
- The City of Calgary
- Clements Tillemann
- EFG Architects
- Enmax Energy
- First Calgary Financial
- Genworth Canada
- Government of Alberta
- Gorman Gorman Burns & Watson
- IBI Group
- ISL Engineering and Land Services Ltd.
- Jubilee Engineering Consultants Ltd.
- Kahane Law Office
- Marshall Tittlemore Architects
- NORR Architects
- Royal Bank of Canada (RBC)
- Reinbold Engineering Group
- Richview Engineering Inc

- SCOPE Projects Inc
- Sturgess Architecture
- T.i. STUDIOS
- Valley Engineering
- Vista Geomatics

A group of local experts share ideas and inspire innovation by volunteering on our Advisory Committee. We meet a minimum of three times a year to discuss opportunities and share insights from our stakeholder groups.

- Bob Jablonski, Realtor
- Kathe Lemon, Editorial Director, RedPoint Media
- Leslie Evans, Executive Director, Federation of Calgary Communities
- Marg Pollon, Founding Executive Director, Bridges of Love
- Martina Jileckova, Vice President Housing, Calgary Homeless Foundation
- Richard Farrell, General Manager, Calgary Housing Company
- Vivien Lok, Settlement Coordinator, Immigrant Services Calgary

Financial Strategy and 2014 Budget

Our budget is uncommon for a nonprofit organization in Calgary as it creates provisions for future opportunities. This financial approach enables us to pursue projects that take a number of years from conception to delivery.

2014 budget

- Based on current firm contracts and market knowledge, we plan to achieve a target of 210 home occupancies in 2014. This will generate a \$15 million increase in revenue from unit sales, in addition to a contribution to our operating costs of approximately \$2 million from our first joint venture development project at Westbury Park. We forecast a net surplus from operations of \$3,502,256 with operating expenses and overheads totaling \$2,422,399. A large percentage of the surplus is in the form of our shared equity in the homes we sell, and it will not convert to cash until our homeowners decide to sell their homes in the future.
- Marketing costs will increase compared to 2013, as a result of an increase in travelling related to the volume and location of units, as well as a moderate increase in selling costs.
- AHCC is not currently planning to repay the outstanding principal amounts owing on the line of credit during 2014. Depending on the timing of unit possessions and deposits required to acquire further inventory, we may withdraw up to \$1.2 million from the non-revolving credit facility in 2014, which we will repay within six months.
- Salaries and benefits reflect an increase to keep up with the rising cost of living and salary increases in Calgary, and an increase in the number of employees needed to serve growing demand.
- In addition to the operating budget, there are land and site development costs including design consultation fees, development and building permit application fees, and subdivision fees. The costs become significant as we make progress on each of our sites.

STATEMENT OF INCOME	2013 BUDGET	2013 ACTUALS	2014 BUDGET
Sales	\$42,196,848	\$36,871,807	\$52,043,688
Cost of sales	(38,673,036)	(33,638,367)	(48,146,304)
Share from joint venture partnership			1,989,771
GROSS MARGIN ON SALE OF UNITS	3,523,812	3,233,440	5,887,155
Other revenue			
Appreciation on sale of land	2,665,674	3,767,423	
Interest income	5,000	30,878	5,000
Application fees and miscellaneous revenue	20,000	36,045	30,000
Sponsorship revenues		3,995	2,500
TOTAL OTHER REVENUE	2,690,674	3,838,341	37,500
TOTAL MARGIN	6,214,486	7,071,781	5,924,655
Overhead expenses			
Salaries and benefits	979,696	985,595	1,357,379
Communications and marketing	342,500	314,233	378,500
Legal and professional fees	235,000	187,836	235,000
Other costs	405,120	424,185	451,520
TOTAL OVERHEAD EXPENSES	1,962,316	1,911,849	2,422,399
SURPLUS FROM OPERATIONS	\$4,252,170	\$5,159,932	\$3,502,256



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