ATTAINABLE HOMES
CALGARY CORPORATION

BUSINESS PLAN

2018

WHY	We improve life trajectories for Calgarians striving to achieve quality homeownership.
HOW	**People** -- We operate from a culture of trust, teamwork, purpose, and achievement.
	Sustainability -- We provide value to our stakeholders by operating efficiently and managing risk to maintain financial stability. Our projects reduce the overall environmental impact in such a way that operating efficiency and long-term value are maximized over the building's lifecycle.
	Innovation – We demonstrate leadership by adopting new approaches and best practices to achieve housing quality that meets the needs of communities and Calgarians now and in the future.
	Diversification – We recognize the diverse needs of clients and seek alternative housing forms, tenures, and financial models.
WHAT	We focus our work around three strategic pillars: resilient clients, quality housing models and operational excellence.

WHAT IS ATTAINABLE HOMES?

We are an independent, non-profit organization owned by The City of Calgary. We work to remove the barriers preventing hard-working, moderate-income Calgarians from owning a home.

Benefits to Homeownership from Attainable Homes Calgary

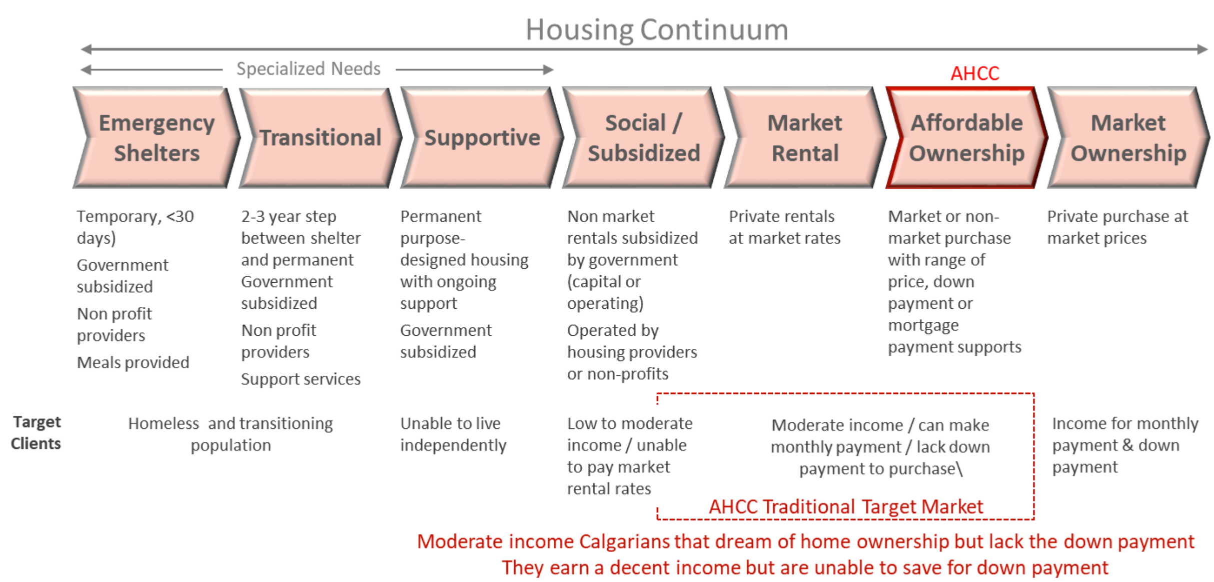
Housing	Housing security	• Ability to escape the potentially uncertain situation of renting
	Comfort	• Heathy, high quality, energy efficient, and right sized for the family
Financial	Financial security	• Stable payments, hedged against rising rents, interest rates and price fluxuation
	Build equity	• Mortgage repayment, utility cost reduction, rising home price when available, and improvements
Intrinsic	Confidence	• Gain pride / sense of worth and confidence for making a well-informed, major financial decision
	Belonging	• Gain the sense of community / quality of life that comes with homeownership • children can stay in the same school, with the same teachers and friends.
	Flexibility	• Offers housing choice and shared equity, putting few restrictions on program participants.

PROGRAM OVERVIEW

One significant barrier to homeownership for many moderate-income Calgarians is the down payment. Since program inception, Attainable Homes has worked to remove this barrier through an investment partnership. A home buyer provides $2,000 and Attainable Homes Calgary Corporation (AHCC) provides the balance to achieve the required five percent down payment. When the homeowner sells their home, they pay a portion of the home's appreciation back into the program to pay it forward to future participants. The longer the homeowner lives in their home, the larger their share of the equity gain.

This model has performed well for Calgarians until the recent economic downturn. Flat or declining home prices and more stringent mortgage qualifying requirements, have added risk to the existing shared equity model. However, the Board has recognized the success of the program is dependent on external forces in the real estate market that are largely outside the control of the organization. To mitigate this risk, the Board is looking to diversify beyond the single financial model such that the program offers a portfolio of models as options to both the organization and/or the purchaser. Furthermore, AHCC has yet to advance the Perpetually Affordable Homeownership model that was part of the organization's original mandate.

Regardless of economic model, the program requires units to sell with sufficient margin to support the public policy mandate. We acquire housing stock through one of two means. We approach builder partners to purchase units from within their existing inventory or Attainable Homes leads the development of an AHCC Project often in conjunction with other partners.



Providing clients with adequate knowledge is a key component of the program. Purchasers must complete an education session prior to purchasing a home. This helps to explain the responsibilities of homeownership, provide them with the tools to be successful in managing their mortgage debt and to ensure clients understand the program requirements. When clients are not able to satisfy the home buying readiness or meet the minimum credit worthiness to qualify for a mortgage, AHCC will leverage relationships with other stakeholders in the Calgary housing market to support these clients to prepare them as homebuyers in the future.

REGULATORY CONTEXT

Interest Rates

In an effort to cool demand for debt, particularly mortgage debt in Toronto and Vancouver, and to address emerging inflation now that National economic growth seems to have normalized, forecasters are expecting a gradual but steady increase in interest rates. The rate of increase will depend on the pace of US interest rate adjustments, the exchange rates and the wage and price inflation. A forecast increase of up to .75 % is anticipated this year.

Debt Reduction/Lending Guidelines

There have been changes to the lending market designed to improve the long-term financial instability of the housing market that has occurred over the past several years. The impact of the changes is often dependent on the current market conditions and the extent of the changes.

In October 2017, the Office of the Superintendent of Financial Institutions extended the stress test to all loans that had been previously applied to only high ratio loans. Effective January 1, 2018, the stress test requires that all buyers qualify at the greater of the Bank of Canada five-year benchmark rate or the contracted rate plus 200 basis points.

The higher interest rates along with this stress test will tend to cool demand resulting in sustained downward pressure on prices in the Calgary market. The effect is overall more affordable housing of all types with more than 63% of the Calgary market below $500,000.

Alberta Carbon Tax and National Energy Code for Buildings

At the beginning of 2017, Alberta's NDP government, in an effort to address climate change and protect the environment, implemented a $20 per tonne tax on carbon dioxide emissions from burning fossil fuels used for transportation and heating. On Jan. 1, that tax will rise to $30 a tonne. The increase in the cost of carbon in terms of transportation and heating will have an impact on homeowners. The program is intended to provide both a deterrent to high emission purchases as well as incentive for emission reduction. More than half of the money will go back into the economy through household rebates and a small-business tax cut. The rest will be invested in programs designed to reduce emissions and diversify the economy, such as green energy projects and public transit.

Since buildings represent 25-35% of energy consumption, the Government of Canada adopted the National Energy Code for Buildings in 2014. Alberta adopted the code as part of the Alberta Building Code in the fall of 2016, adding energy performance standards for new buildings. The code has challenged builders to ensure that the minimum energy efficiency level of homes should be comparable to the EnerGuide 80 standard. Many Albertans are familiar with the Built Green program and EnerGuide 80 is comparable to the Gold level under that program. Establishing the minimum energy efficiency standard for a home does not prevent homebuilders or owners from striving for even greater energy efficiency levels (e.g. a ‘net zero’ home).

Complying with the energy codes will add to the initial construction cost of most buildings that will be offset by the amount saved on the monthly heating bill through reduced consumption.

National Housing Strategy

The strategy is largely focused on the rental supply and the maintenance of the existing affordable housing stock. The key target audiences for the strategy are: seniors, indigenous, women and immigrants. Affordable home-ownership will continue to be supported by CMHC by maintaining access to homeownership opportunities, conducting in-depth research, and implementing new measures to protect the long-term financial security of borrower and all Canadians.

MARKET OUTLOOK

Consensus forecast indicates that while the worst of the economic downturn is behind us, the outlook for 2018 will be constrained by rising interest rates and a structural change in oil and gas. Despite some improvement in the petroleum industry with oil prices stabilizing above $60/bbl USD, forecasters predict the Calgary economy will enjoy a modest economic growth even as compared to last year. Lower unemployment has resulted from job growth with limited competition from in migration. City of Calgary Corporate Economics is forecasting GDP of 2.4% for 2018 and 3.0% for 2019, mainly as a result of consumer spending, business investment and government spending.

Source	Date	2016a	2017f	2018f	2019f
TD	Mar 15, 2018	-3.7	4.3	2.4	2.0
BMO	Mar 23, 2018	-3.7	4.1	2.2	2.1
CIBC	Mar 22, 2018	-3.7	3.8	1.9	1.9
RBC	Mar 12, 2018	-3.7	4.2	2.2	2.0
ATB	Feb 2018	-3.7	3.9	2.8	2.2
Conference Board	Feb 28, 2018	-	6.7	2.8	-

Figure 1 Consensus of GDP forecasts

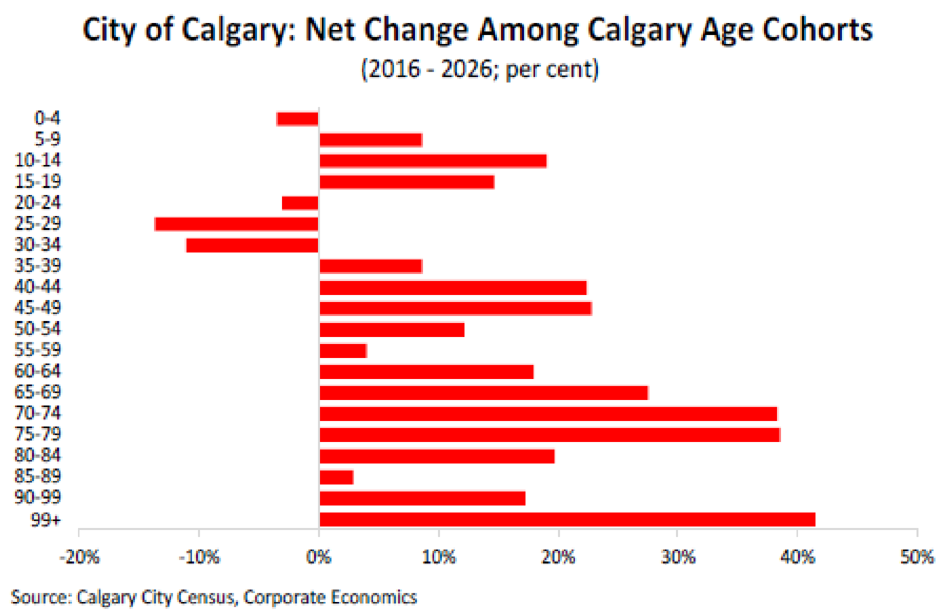
Investment in construction projects is expected to remain low in both residential and non-residential construction due to high office vacancy rates and a continued inventory surplus, especially in the apartment sector. Consequently construction prices, that have dropped 3.5% since 2015, are to remain low.

Source	2016a	2017f	2018f	2019f
Employment Growth (%)	-1.6	1.0	1.0 - 1.7	1.0 – 2.0
Unemployment Rate (%)	8.2	7.8 – 7.9	6.0 - 6.9	6.4 - 6.7
Consumer Price Index	1.1	1.5 – 1.6	1.8 - 2.0	1.8 - 2.1
Housing Starts (000's)	24.6	29.3 - 29.5	27.0 - 28.3	26.9 - 30.0

Figure 2 Alberta Economic Indicators (Consensus Forecast Feb/Mar 2018)

Demographics

Population growth is forecast to average 13,500 people for the next 5 years – about 1%. The more significant factor for AHCC in this population trend, is the expected shift in demographics. The population of seniors in Calgary is expected to grow by 4% per year for the next 10 years, reflecting few new young in-migrants and a general aging of the population. The 20-34 year old age group is also expected to decline by 9% over the forecast period.



Higher growth in the "move-up" age range of 40-54 will ensure that demand for larger single family homes remains solid to offset the downsizing trends of seniors.

Qualifying income is a significant consideration for assessing the scope of the AHCC target market. Alberta continues to enjoy the highest average hourly wage of any province and Calgary remains higher than other major centres at $30.12. However, as is typical with an economic downturn, high unemployment and slow wage growth has resulted in lower incomes, particularly for those in the lower income ranges. The shift from higher paying construction and oil and gas based employment (average $35.94) to service sector (average $28.13) has meant more Calgarians are feeling the pinch. The confidence in the homebuying marketplace is impacted by this employment and income uncertainty.

AHCC target market is defined by the qualifying income permitted by CMHC and Genworth as the mortgage insurers.

Housing Demand

Demand for apartments and rentals will continue to be affected by demographics and an oversupply of product in most areas of the City. In particular, the apartment/high rise condo market has faltered recently. The City reports that the new energy efficiency building regulations that took effect over the past 2 years resulted in a construction rush as builders advanced groundbreaking plans to finish projects under the older and cheaper building regulations. Under the new energy efficiency regulations designs will need to change, particularly with regard to the size of windows. The oil-price drop in 2015 came at a bad time for this market segment, which was in the process of a planned overbuild. Prices have dropped by an average 2.5% per year since 2014.

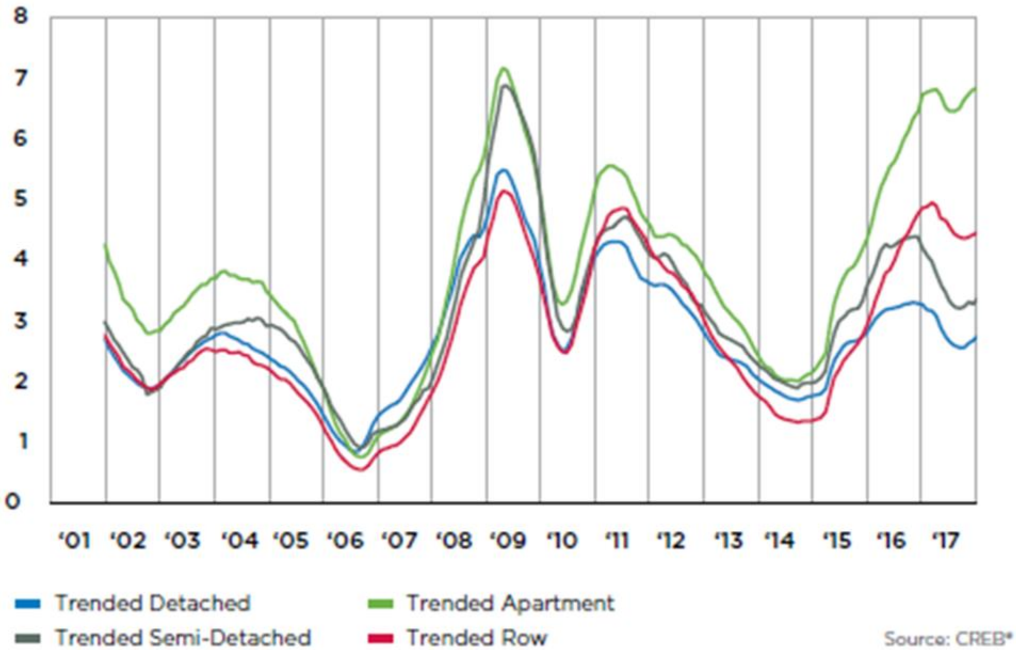
Table 26: Calgary Metropolitan Area
Inventory of Completed and Unabsorbed Multiple Units by Month Since Completion: February 2018

	<1	1	2	3	4	5	6	7	8	9	10	11	12+	Total
By Zone														
Downtown	0	0	30	49	0	0	0	0	7	0	0	48	78	212
Beltline	0	0	0	11	5	0	32	0	0	3	0	0	41	92
North Hill	49	5	102	3	3	10	0	0	0	0	0	0	112	284
Southwest	48	10	17	71	5	2	2	1	4	2	1	12	33	208
Southeast	3	2	153	7	0	34	0	1	0	0	2	0	56	258
Northwest	49	10	50	98	62	36	9	5	0	0	23	34	33	409
Northeast	5	4	8	3	3	5	0	0	1	4	0	138	32	203
Chinook	2	2	1	1	0	0	0	12	0	0	3	0	0	21
Fish Creek	19	4	23	3	2	0	0	0	0	0	3	3	111	168
Other Centres	0	13	3	106	0	2	2	6	8	2	5	2	27	176
Calgary	**175**	**50**	**387**	**352**	**80**	**89**	**45**	**25**	**20**	**11**	**37**	**237**	**523**	**2,031**

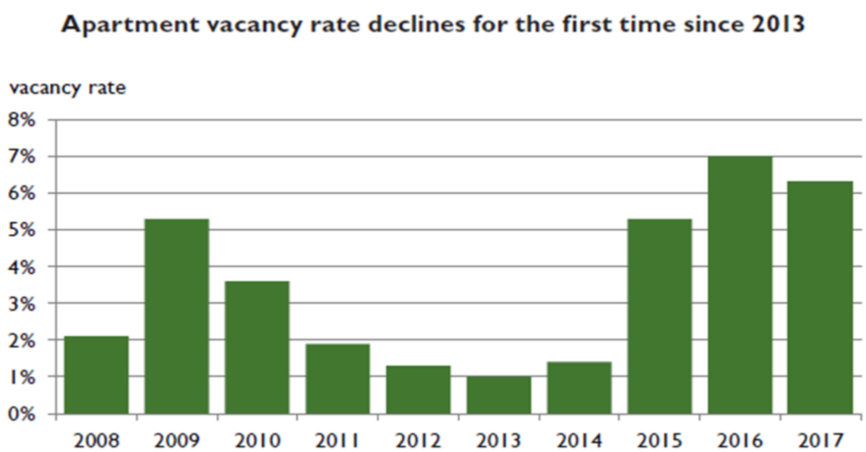
Source: CMHC

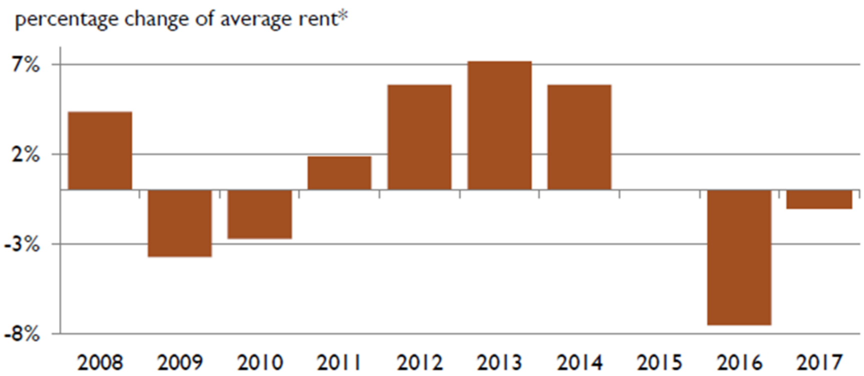
This oversupply of new units has impacted the resale market as well, with a glut of apartments still increasing.

Months of Supply Trends
Townhouse and Apartment - Resale



The oversupply of ownership units in the apartment sector is reflected in the rental sector as well. While there has been some improvement in 2017, the oversupply has stayed high with the vacancy rates for apartments above the 2009 levels. Downward pressure on rents remains.





Type	Vacancy Rate	Average Rent
Bachelor	5.6%	$825
One Bedroom	5.8%	$1,025
Two Bedroom	6.9%	$1,247
Three+ Bedrooms	7.1%	$1,254

Demand for single-family and semi-detached homes is viewed to be more robust going forward as the affordability has improved. When the impact of condo fees is also considered, buyers are able to get more home for their shelter dollar in the freehold segment. In particular, attached dwellings typically offer a yard and some parking options as well as reasonable square footage at a price that is typically 25 per cent lower than a single-family home. Prices for attached dwellings dropped by 3 per cent per year from 2014 to 2016. Construction in this segment has slowed and prices are stabilizing as a result. The outlook for this segment is positive as greater numbers of Calgarians consider freehold housing options as interest rates continue to rise in the future.

Opportunities for homebuyers will vary across the city as inventories of new and resale homes will impact price. The chart below shows areas where high duration of supply will have continued downward pressure on prices, adding risk to the market.

Months of Supply by Type and Area of the City

Housing type	Northwest	North	Northeast	West	City Centre	East	South	Southeast
Detached	2.13	3.05	3.60	2.72	3.52	2.63	2.53	2.50
Apartment	5.38	6.50	10.27	5.82	7.12	8.01	6.66	5.31
Semi-detached	2.91	2.27	3.84	3.43	4.34	5.01	2.54	2.43
Row	3.72	3.87	5.81	4.36	5.02	4.82	4.10	4.18

Lowest *levels of resale inventory in the city, likely resulting in upward price pressure*

Highest *levels of resale inventory in the city, likely resulting in the greatest downward pressure on resale prices*

Operational Context

Approval of the Strategic Plan in 2017 by the City of Calgary, as the shareholder, enabled transition to a new business focus for the organization. A combination of the continued weak market and a repositioning of business focus resulting in lower levels of sales and margins than in previous periods.

The eroding market prices also triggered mortgage arrears and foreclosures (6); resales; and, early repayment that contributed to a loss on our equity receivables. Consequently, there is renewed interest in revisiting the shared equity model and a focus on cost-effective operations.

AHCC has made notable progress with additional analysis of the key performance indicators enhanced risk management process with the following risks identified for mitigation:

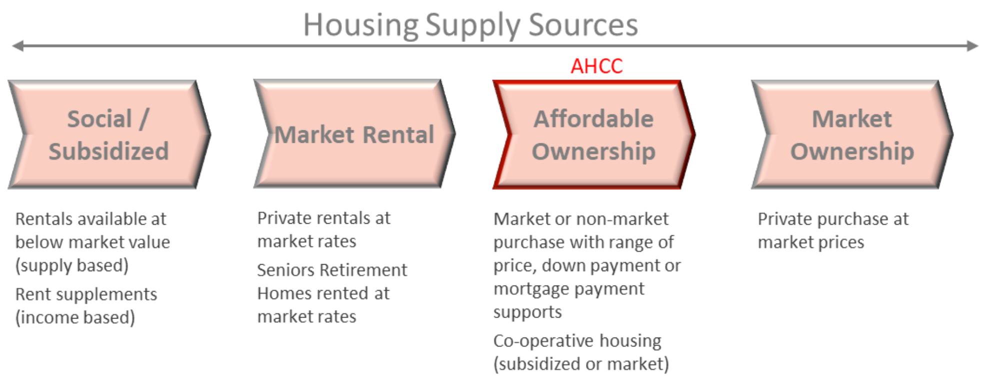
Risk Area	Magnitude	Trend	Mitigation
Business Model	Medium	↓	Diversification
Shared Equity	High	→	Program revision
Customer Base	High	→	Marketing strategy
Inventory Scarcity	High	→	Builder partners/Land strategy
Market	High	→	Program options
Regulatory	High	→	Education

This risk assessment will drive the focus for 2018 activities with the expectation to improve. The organization however, invested time in laying the groundwork for new opportunities that will be realized in 2018.

1. Better alignment in the inventory acquisition to the customer needs
2. Improve financial operating position to sustain the operation independently from gains in equity receivables
3. Investigation into alternative models like the Perpetually Affordable Homeownership
4. Strategic analysis of built form and financial options within a dynamic supply/demand and price environment.

Summary of 2018 Opportunities

Analysis of our market conditions and recent investigation in supply and demand balance has focused AHCC's target market. The opportunity for homeownership begins with the positioning of AHCC with respect to the housing continuum. As illustrated below the homeownership housing supply supports are currently quite limited.



# of units (% of total)	Below market rentals: 16,702 (3.6%) Rent Supplements: 3,981 (0.9%)	Private rentals: 120,061 (25.8%) Retirement Home Rentals: 3,645 (0.8%)	Ownership Programs: 1,074 (0.2%) Co-operatives: (subsidized): 250 (0.1%) (market): 1,044 (0.2%)	Private home purchases: 318,719 (68.5%)
Total # of units (% of 465,476 total)	20,683 (4.5%)	123,706 (26.6%)	2,368 (0.5%)	318,719 (68.5%)

Analysis of the potential housing demand in terms of age, qualifying income and shelter costs has shown the following potential market and related challenges.

- AHCC's **value proposition** in a flat or declining home price market is weaker for individuals / financial-focused clients and possibly strengthened or unchanged for families where they may be able to buy more house than in previous years
- There are **163,000 households in Calgary CMA** with incomes that qualify for the AHCC program
- Filtering the income qualified households to remove existing homeowners, households aged 45+ and <20, households spending >30% and up to 50% on shelter, and adjusting for population growth, results in **10,070 target households for AHCC**.
- Approximately 4,800 of these households are a good match for AHCC's current offerings, although some at higher income levels may go beyond "those most in need for affordable housing"
- With higher vacancy rates, reduced rental rates and higher inventories of resale housing product, the market to provide **affordable homeownership is more 'competitive'** than it was previously; AHCC is now competing against two "product oriented" suppliers that have more appealing offers (lower DP and higher equity)
- **Increasing down payment assistance** would significantly expand the number of qualifying households for AHCC's offerings

STRATEGIC GOALS

The Attainable Homes operating activities will be guided through 2022 by a 2017 approved five-year strategic plan.

Resilient Clients

Goal 1: Empower clients to **responsibly enter homeownership**.

Goal 2: Provide **client care and support** throughout their participation in the program.

Quality Housing Models

Goal 3: Operate under a **diversity of financial models** that enable clients to achieve financial well-being while achieving organizational sustainability.

Goal 4: **Diversify housing forms** to capitalize on market gaps and opportunities.

Goal 5: Develop projects that facilitate a **high quality of life with an emphasis on community**.

Goal 6: Embed **sustainable design and energy efficiency** in all projects where it reduces operating and life-cycle costs.

Operational Excellence

Goal 7: Ensure **organizational financial stability**, sustainability, and diversification.

Goal 8: **Advocate** for affordable homeownership.

Goal 9: Build **strong partnerships** to ensure we are an exemplar of best practices.

2018 INITIATIVES

The Economic and Market Outlook and along with the Strategic Plan provide the context for a shift in focus for 2018. The efforts will be focused on diversifying and broadening the program offerings to better meeting the needs of moderate income Calgarians. More specifically, we are looking to a new business model that will provide more focus:

2018 Strategic Focus

Core Business

- Buy/Build and Sell
  - Generate revenue to support program
  - Understand supply and demand alignment
  - Generate positive net income regardless of market dynamics

- Manage Operating Costs Carefully
- Look for partners to support innovation and risk share
- Advocate for healthy housing market and "smart communities"

Program Funds to Support Public Policy Mandate

- Improved down payment assistance program to be resilient in all market conditions
- Diversify the support options to address range of homeownership barriers
- Shift focus as needed to respond to market risk

Measurable outcomes will include:

- Increase sales to 150 with 130 possessions
- Positive net income from operations moving to 1:1 coverage of by year end
- Improve profile of inventory that better meets the strategic objective and margin targets
- Reverse losses on Deferred Equity Fund
- Increase brand awareness
- Launch 3 new programs to remove barriers to homeownership

To achieve the goals identified in the Strategic Plan, Attainable Homes has identified the following priorities for the coming year:

1.0 Permitting, construction and launch of Martindale [Goals 4, 5, 6,7]

In March 2018, Attainable Homes submitted a Development Permit application to The City as part of our proposed development on a parcel of land immediately south of the Genesis Centre in Martindale. Once approved, we will actively begin working with Avalon Homes as a builder partner to develop the site. The following critical path has been established:

1. Design Build Contract April
2. Development Permit May
3. Launch sales campaign May

4. Building permit — June
5. Site preparation — July
6. Construction start — July
7. Phase 1 completion — October
8. 2018 Occupancies — November

The Martindale site will provide AHCC with an opportunity to introduce a number of innovative housing form, tenure and financing structures over the course of the full development.

2.0 Undertake a strategic re-branding and marketing plan for AHCC [Goals, 1, 2, 8, 9]

In 2017 and early 2018, Attainable Homes launched new tools to enable us to communicate our message more succinctly and clearly and to reach a wider audience. The efforts included: a redeveloped website, a digital media strategy and video promotion. The website will be the platform to promote our brand identity, show what we offer to Calgarians, provide the platform to connect to partners, and encourage potential clients to sign up to receive future communication from us and re-build our pipeline.

In 2018, a Marketing Strategy will be developed and implemented to:

- More clearly position AHCC in the marketplace and increase awareness
- Leverage key stakeholders and partners to reach potential qualified homebuyers who need a boost into homeownership
- Leverage our builder partners in co-marketing of their most affordable product. We will explore shared sales teams.
- Relaunch AHCC's variety of new programs

Our primary focus on giving Calgarians a "boost" into homeownership will include development of a range of products and services to address the myriad of barriers.

- With an aim to develop resilient clients, we are also working with key stakeholders with expertise in financial literacy to ensure that those with credit impairment challenges are ready for homeownership.
- We'll develop enhanced credit and budgeting resources on our website that will include options for available product, prices and financial structures to best meet their needs.
- We'll leverage our relationships with mortgage brokers and lenders to ensure that qualified Calgarians are ready to buy.

As a consequence of this re-positioning, there remains some infrastructure development (updates to website, signage, print collateral, etc) where new messaging is required. The messaging will also need to differentiate by stakeholder group, and by project and program as the "new AHCC" is relaunched. A modest budget for 2018 and an aggressive co-marketing campaign will ensure good value for dollar in the marketing budget (See Appendix iv)

3.0 Recalibrate existing program model and explore a new financing models [Goals 1, 3, 5,7]

The existing model has performed well in meeting the original mandate and has operated effectively under market conditions that prevailed from conception until recently. Attainable Homes recognizes the need to adjust our financial strategy so it does not depend as much on a return over and above the down payment assistance. To that end, there are a variety of adjustments to the existing model that can be experimented with to detach from the reliance on an up-market. This year, we will investigate such "tweaks" and begin to implement. The specific outcome of this work is to reduce the equity receivables loss exposure.

Other financial models also exist beyond strictly down payment assistance. This past year, we investigated models used by homeownership non-profits located in other jurisdictions. In 2017, we tested these options through economic modelling with the aim of selecting those most appropriate programs for piloting in 2018.

4.0 Measure "Quality of Life" objectives in every project and acquisition (Goals 1,4, 5, 6,)

To ensure quality homeownership opportunities for our clients, we will objectively and thoroughly evaluate all potential unit acquisitions and developments against quantitative and qualitative measures identified to reflect Quality of Life for our purchasers. These will include calculations like walk and transit scores as well as organizational ideals such as energy efficiency, accessibility, and innovation in design. The Quality of Life criteria will form part of our project selection and validated with clients during the purchasing process.

5.0 Launch a minimum energy efficiency standard for all AHCC purchases and builds [Goals 4, 5, 6, 8, 9]

We recognize that costs to operate our homes and the materials that go into them contribute to the quality of life for our clients. With the adoption of a National Energy Code for Buildings and the implementation of the Alberta Carbon Levy, the need for improved energy performance is more important than ever. As we adapt to this changing landscape and we positon ourselves as advocates for quality affordable housing, we will focus first on energy efficiency and subsequently factor in building life-cycle costs. By establishing a minimum standard for performance, our builder partners and other stakeholders will have clear expectations on what is required to collaborate with AHCC. Our current minimum EnerGuide 80 or BuiltGreen Gold qualifies borrowers for a CMHC rebate on the mortgage insurance premium.

AHCC will also look to advocate for innovation in sustainable building performance and sustainable communities by leveraging our own land and unique AHCC driven joint venture projects. Where high upfront capital costs are associated with energy innovation, AHCC will look to attract grant funds and capital funding strategies, as appropriate, to ensure capex and opex are optimized.

6.0 Develop, implement and deliver perpetually affordable homeownership [Goal 3, 4, 8, 9]

We will work with organizations like us in other jurisdictions and within Alberta and Calgary to share ideas, influence policy, and advocate for affordable homeownership options. While a national collective of homeownership organizations is, and will remain informal, its “members” are at the ready to collaborate through one collective voice when necessary. We will continue to liaise with this group to strengthen this voice.

More locally, AHCC will strengthen our relationships with the Calgary Housing Company; Home Space; and others to provide a more reliable pipeline of homeownership ready clients. Once this information has been collected, AHCC will determine if and what type of model could work in the Calgary market.

7.0 Leverage current assets and source a continuous and reliable supply of land [Goal 3, 4, 8, 9]

Since the inception of AHCC, we have been able to capitalize on City of Calgary land, in partnership with builders to create the affordable projects. While our land assets have become more limited, we still have the ability to attract land to deliver affordable housing supply that meets the needs of Calgarians.

AHCC will continue to negotiate with the City of Calgary for surplus land at book value; acquire surplus school sites; and, undertake joint ventures with builder/developers on their land for purpose-built projects.

AHCC will also look to leverage the existing office site for lease income. A detailed plan will be presented for Board approval once the opportunity is fully evaluated.

8.0 Buy or build suitable, appropriately priced homes that meet our clients’ needs [Goal 1, 2, 4, 6, 7, 8, 9]

AHCC will build on the current inventory of affordable homes with an emphasis on diversification of built form that meets the strategic positioning of AHCC within the housing continuum. Criteria has been developed with which to evaluate opportunities against financial and performance goals. Within the current development procurement policy, new relationships will be developed to ensure a stable supply of homes that provide mutual benefit to both AHCC and the builder partner. These relationships will include pre-purchase; re-qualified non-inventory supply access; and collaboration on builder owned or AHCC owned land. This inventory strategy will create more nimbleness to adapt to shifting demand but also secure longer term reliable supply.

With surplus supply of apartments and improved price affordability of semi-detached and single-family homes, AHCC will explore options for freehold to be added to our inventory. Initial dialogue with builder partners indicates that this is a potentially attractive option. (See Development Summary)

DEVELOPMENT SUMMARY

Attainable Homes manages a development pipeline such that new housing units are consistently available for the thousands of Calgarians striving to achieve homeownership. We continue to provide homes in diverse areas of the city. A forecast of project acquisitions and possessions by month is attached.

The forecast does not yet include Martindale as the budget and development contract have yet to be finalized, but 20 possessions are expected for 2018. The financial impact of this project is anticipated to augment the operating surplus projected for this year.

The inventory management strategy strives to acquire suitable, high margin properties, aligned to clients needs, for a much shorter supply duration and reduced carrying costs. Sales achievement prior to completion will be a key success factor. (Appendix i)


ATTAINABLE
HOMES
CALGARY CORPORATION
DEVELOPMENTS IN DISCUSSION
MOVE-IN READY DEVELOPMENTS

FINANCIAL STRATEGY

Though we planned for a soft year in 2017, the downturn impacted us more than expected. This resulted in 108 unit-possessions - missing our target by four - but increasing total possessions over 2016. Nevertheless, the net result from operations was a loss of $1.8 million although $1.8 million of that loss can be attributed to unrealized loss on equity receivables. In response to the shifting market fundamentals of 2016 and 2017, the organization implemented additional risk analysis and monitoring tools that have positioned us well for future market dynamics.

In 2018, possessions are forecast to increase to 130 from 150 sales. The existing inventory to start the year represents less than half of that target, so focus is required to identify and secure suitable projects. Effective execution of the strategic initiatives outline above will be key to achieving the bottom line success in 2018. Margin on sales, additional revenue and expense control are fundamental to operational success.

The operating expense budget was determined using a bottom-up approach and reflects initiatives as outlined above. Going forward, project specific investment will be approved by the Board, meeting minimum performance criteria as set by the Board. For example, since our full marketing strategy has not yet been finalized, marketing expenses have been limited to support ongoing digital media, as implemented in 2017, and other nominal investment in collateral. Additional marketing expense or strategic marketing initiatives will be project specific (e.g. Martindale) and supported by a business case.

The proposed development of the Martindale site, leveraging the land secured from the City of Calgary, to provide market and affordable homes has not yet been included in the operating budget. The financial model and financing strategy has yet to be finalized. Once approved, the potential additional 20 possessions in this project will augment our forcast operating surplus for an improved growth year.

Furthermore, the launch of the PAH program later this year is expected to be supported by a purpose-built project where land ownership can be retained by AHCC. Once this project is identified, depending on size and construction phase, units may be available for possession this year.

Finally, with the revision of the existing shared equity model along with more focused management of default and resale activity, the primary financial objective for 2018 is to move to full coverage of the current period equity loans by operating surpluses. Achievement of this goal will require a shift in the inventory, disposal of the units with low or negative margin, and acquisition of higher margin project. Full coverage is expected in 2019.

We are adding new monitoring tools to track progress against the business plan this year. This will include the addition of a market dashboard that will accompany our monthly key performance indicators. These tools will continue to inform the Board so we can react to the market and needs of our clients.