Making Wood Buffalo home

ONE HOUSEHOLD at a time

WBHD
WOOD BUFFALO HOUSING & DEVELOPMENT CORPORATION

ANNUAL REPORT 2015

WBHDC has helped over 7,000 families, individuals and seniors to establish a home in Wood Buffalo that is appropriate to their personal financial circumstances. We provide social housing, affordable GAP housing, and low-cost seniors' housing to individuals and couples, and shelter to the homeless. WBHDC also provides accommodations and building management services to a range of social-profit clients at below-market rates that strengthens their ability to serve those in need in our community.

Corporate Mission

Vision

A region where all citizens have access to affordable housing.

Mission

We will provide housing alternatives to citizens in need within the Regional Municipality of Wood Buffalo. Specifically:

- Provide GAP housing and related services to Wood Buffalo residents, including seniors low and middle income families, and the homeless.
- Develop and/or manage GAP housing communities.
- Administer provincial housing subsidy programs.
- Provide people the opportunity to establish themselves on "a more solid economic footing" within the community.
- Opportunistically develop and manage projects that are aligned with our expertise and capacity, and supported by a sound "triple bottom line".

Values

Accountability	Taking responsibility for our actions.
Collaboration	Working in partnership with others to achieve common goals.
Innovation	Fostering creativity and taking reasonable risks.
Integrity	Being honest and ethical in all that we do.
Learning	Promoting opportunities for continued growth.
Respect	Treating all employees and stakeholders with dignity and respect and recognize excellence.
Safety	Ensuring a healthy and safe environment for tenants and employees.
Transparency	Being open about our business practices.

Operating Principles

- Recognize and reward loyalty, commitment and contributions to the Corporation.
- Clearly define roles, responsibilities, decision-making authority and accountabilities.
- Expect leaders to lead by example and make informed, principle-based and timely decisions that are in the best interests of the Corporation.
- Encourage leaders to build on strengths and to celebrate successes and accomplishments.
- Use a strategic management approach to lead the organization, including a shared vision, clear strategic goals, measurable outcomes and supporting strategies.
- Make decisions about products, services and other deliverables based upon sound business principles.
- Keep informed relative to our market place and trends that may affect our business.
- Use accurate and timely information management and reporting systems to support all aspects of the business.
- Align the allocation of resources with strategic business plan priorities and measure organizational performance against the plan.

When I first saw the house," says Emily Cruz, "I was so happy because I was able to raise my kids in a cozy home of our own. We have our own kitchen, our own bathroom, we can move freely. I'm a mom – it's big-time for me. This is my home."

WBHDC Housing Inventory by Program

As at December 31, 2015

WBHDC program	Capacity
Affordable GAP rental housing – Fort McMurray	1,185
Social housing – Fort McMurray	37
Seniors' housing – Fort McMurray	69
Homeless shelter – Fort McMurray	26
Affordable GAP housing – rural hamlets	22
Seniors' housing – rural hamlets	29
Total	**1,368**

Client Profile

WBHDC's clients include a broad spectrum of individuals and families who have chosen to make Wood Buffalo their home. Social housing clients include but may not be limited to recipients of Assured Income for the Severely Handicapped (AISH), provincial Income Support, federal Old Age Security. Affordable GAP housing clients include both employed and self-employed persons in the public and private sectors for whom market-priced rental accommodation is too expensive. Rent subsidy programs enable WBHDC to house some social housing clients in affordable GAP rental accommodations when they are available.

> *"Musicians don't make oil sands wages but I've been incredibly lucky since coming back to teach, play corporate gigs, weddings and special events," says Dan Gillies. "Wood Buffalo Housing is a great organization. They weren't just our landlords – we had personal relationships with staff. Touring musicians ask how I can afford to live here but they don't appreciate the community, the vibrant arts scene. And, honestly, Wood Buffalo Housing was like the foundation that held our lives together. Their program has enabled me to build the life we wanted, to be in the music business and to thrive in it. That's so cool."*

Message from the Chair

The Wood Buffalo Housing & Development Corporation (WBHDC) is among the region's most important social institutions. A not-for-profit, arm's length, Part 9 subsidiary of the Regional Municipality of Wood Buffalo, WBHDC provides well-built and well-maintained affordable housing to individuals, families and seniors in one of North America's most challenging real estate markets.

WBHDC was incorporated by Regional Council in 2001 at the beginning of more than a decade of the fastest municipal population growth in Canada. Regional Council charged WBHDC "to provide affordable housing and related services to senior citizens and low and middle income families."

Even then, Regional Council understood that housing costs were rising beyond the incomes of many ordinary working people, such as restaurant workers and retail clerks, and early to mid-career teachers, nurses and police officers, municipal and provincial government employees. These people are too well paid to qualify for social housing, which is subsidized by the Government of Alberta and administered by WBHDC, but may not be paid well enough to afford market-priced rental accommodations, especially in Fort McMurray. WBHDC is unique in that it was created to help "bridge the gap" between social housing and market-priced housing by providing affordable GAP housing; accordingly, it goes well beyond the mandate of most affordable housing agencies in Alberta.

Continuous oil sands production growth drove population growth, and Wood Buffalo's population more than doubled between 2001 and 2014. This meant WBHDC was itself on an uninterrupted growth trend between its creation in 2001 – when it managed fewer than 100 social or seniors' housing units – to the first half of 2014, when the total number of rental units approached 1,300. And this steady regional growth occurred despite the global economic contraction of 2008-10.

Though it had calamitous effects elsewhere, there was no better place in the world to weather the economic storm that began in 2008 than Alberta. Though the decline of worldwide financial markets affected the province, causing precipitous declines in oil prices, the immediate deferral of oil sands expansion projects, and a notable decline in provincial government revenues, the provincial economy and the oil sands industry also recovered much more quickly than most jurisdictions – perhaps not to the heady days of $140+ USD bbl that preceded the financial crisis but to eminently sustainable levels in the $80-90 USD bbl range. Many deferred projects were renewed and total oil sands production in the Athabasca oil sands area nearly doubled, from 955 thousand bpd in 2008 to 1.9 million bpd in 2014.*

However, the global economic shifts in 2014 were different and much more dramatic. OPEC increased production quotas to compete for a larger market share. The sudden upsurge of shale oil meant that the United States, previously Canada's largest export customer, became almost entirely self-sufficient. Chinese demand for oil declined for the first time. Global supply exceeded demand between one and two million bpd. For the first time since 2009, benchmark West Texas Intermediate crude oil fell below $40 USD a barrel, and Western Canadian Select, the oil sands-based synthetic crude produced in our backyard, traded even lower. The shortage of pipeline capacity and the lack of tidewater access meant Alberta has to weather a further discount for Western Canadian Select. And prices have remained much lower much longer than they did in 2008-09.

And so, the Wood Buffalo economy has contracted much more than forecasters initially predicted. WBHDC foresaw that its vacancy rate would increase, for the first time in its history, in 2015. By year's end, that vacancy rate, which had never exceeded 11 percent, had climbed to 32 percent. The average vacancy rate for 2015 was 19 percent against a projection of just seven percent. The increased number of vacancies put downward pressure on rental rates, which declined 10 percent. The combination resulted in a significant reduction in rental property revenues of $3 million below budget.

Despite the fiscal challenges of 2015, WBHDC found new efficiencies and exercised prudent management beginning in 2014, which reduced costs, and finished with a $2.3 million surplus. Though 2015 was hard, and it is likely that 2016 will be harder still, we remain committed to fulfilling Regional Council's charge to help people make Wood Buffalo their home, one household at a time.

Lindsay Smith, Mortgage Specialist with Servus Credit Union, hears "so much positive feedback" from Servus members. "We had a couple say 'working with Wood Buffalo Housing and Servus makes you feel human again, you feel equal and hopeful.' We had another couple say 'You guys are like Robin Hood – you have made the impossible happen.'"

Making Wood Buffalo home ONE HOUSEHOLD at a time

Since its inception, WBHDC has adopted an entrepreneurial approach to delivering affordable housing that has enabled it to be self-sustaining: alone among municipal Part 9 companies, WBHDC does not depend on financial support from the Regional Municipality.

Wood Buffalo has always been home to resourceful people, from the First Nations who first used bitumen to waterproof their canoes, to the oil sands pioneers who envisioned an industry, to the evolution of new extraction methods that are greener and less expensive. From giant drag lines and bucket wheels to truck and shovel mining, to steam-assisted gravity drainage, to new technologies still being tested on the research bench and in the field that will transform the oil sands industry once again.

On behalf of the current Board and recently departed members who had volunteered their time and expertise through 2014, I would like to thank the Regional Municipality, our friends and neighbours across Wood Buffalo, the provincial government, and our fellow social profit agencies for the opportunity to serve this community. I was only recently appointed to this role as Chair but it is obvious to me that the Board's commitment to WBHDC's fundamental purpose is very strong.

WBHDC is proud to be part of this community that has welcomed so many new residents from across Canada and around the world to Wood Buffalo, individuals and families who have traveled far to find their own future and to build this community. We are proud of our success and of providing affordable housing to over 7,000 low and middle-income individuals, families and seniors who otherwise might not have been able to make Wood Buffalo home – one household at a time.

Respectfully submitted,

Maggie Farrington
Board Chair

Arianna Johnson, Executive Director of the Wood Buffalo Food Bank Association, says that had it not been for WBHDC, "the Food Bank would undoubtedly be homeless or, at minimum, have found ourselves in a severe financial crisis. Our relationship has enabled us to become financially stable and to provide our clients with perishable items, which increase the nutritional value of our hampers immensely."

**All oil sands production figures provided by the Canadian Association of Petroleum Producers (CAPP).*

Making Wood Buffalo home ONE HOUSEHOLD at a time

Message from the Acting President & CEO

2015 has been, in the sense of the apocryphal Chinese saying, the most "interesting time" in the history of the Wood Buffalo Housing & Development Corporation (WBHDC).

As noted in our Board Chair's message, WBHDC has a three-pronged mission: it provides high-quality social, affordable GAP, and seniors housing alternatives to qualifying citizens within Wood Buffalo.

Our very first property, which the Government of Alberta transferred to us in 2002, was Fort McMurray's Rotary House Lodge. Rotary House provides supportive living to seniors and others in need, blending safe, secure housing with nominal health care. In 2002, WBHDC also became responsible to operate Legion Manor and Araubasca House, two independent living apartment complexes for seniors in Fort McMurray. Since then, WBHDC has become responsible to operate Woodsmoke Lodge in Anzac and Ayabaskaw House and Lodge in Fort Chipewyan, both of which are dedicated to seniors.

As a provincially designated Housing Management Body, WBHDC also manages all social housing in Wood Buffalo and rent supplement programs on behalf of the Government of Alberta. According to provincial government policy, social housing and/or rent supplements are provided to qualifying individuals at rates tied to their income, which ensures housing costs do not eat up their modest earnings. WBHDC also provides support services as appropriate to social housing clients to help reduce their reliance upon social assistance, through substance abuse programs, job skills training, or other means that address impediments to independence.

The bulk of WBHDC's business, however, is the development and provision of affordable GAP housing to qualifying individuals and families, primarily rental accommodations that are offered at rates 10 to 20 percent below market rates in Fort McMurray and Wood Buffalo's rural hamlets of Conklin, Fort Chipewyan and Janvier.

When WBHDC opened its most recent project, the 175-unit Siltstone Ridge complex, in November 2015, our total rental housing inventory, including GAP, social and seniors housing, had grown to 1,368 units, an average of nearly 100 new units per year since Regional Council created WBHDC in 2001.

WBHDC has also been able to build upon its "development" role not only by constructing new rental apartment complexes but by developing an innovative home ownership program that has helped qualifying first-time buyers who otherwise could not purchase a home in our very expensive market, to purchase housing appropriate to their needs.

Similarly, since 2006, WBHDC has provided housing and support programs to Fort McMurray's most vulnerable citizens. Marshall House Emergency Shelter includes a 100-bed capacity homeless shelter and 26 transitional housing units that are assigned based upon the Housing First model as part of the 10-year strategy to end homelessness shared by the Government of Alberta and the Regional Municipality.

Finally, sound financial management and an entrepreneurial spirit has enabled WBHDC to support other social profit agencies in Fort McMurray that have needed, or still need, assistance.

- WBHDC owns and operates the Fort McMurray Food Bank building on a cost-recovery basis. The Food Bank saw a 72 percent increase in visits in 2015; low facility costs enable the Food Bank to concentrate its limited funds on the highest possible quality food items, including high-nutrition perishables;
- WBHDC operates the Stepping Stones Youth Shelter building on a cost-recovery basis. Again, low facility costs help to ensure that vulnerable youth have a place to go that is better suited to their unique needs when they become homeless.
- WBHDC donated the land and provided strategic development advice to Waypoints (formerly the Fort McMurray Family Crisis Society) that enabled it to build Fort McMurray's new shelter for women and children victims of domestic violence.

We are very proud of our ability to help other social profit agencies establish a more secure footing in our community.

At year's end, our wait list for seniors' housing was zero; our wait list for affordable GAP housing was zero; our waitlist for social housing was about 180 and depends on provincial funding to meet the identified need. It's important to note too, however, that those on the social housing wait list were not homeless – they were 'under-housed'; perhaps in too small a unit for their

family's needs or couch-surfing with friends and family – meaning their present circumstances were not optimal.

But, as 2015 drew to a close, it was clear that the historical trends in Wood Buffalo for affordable housing were unlikely to remain the same, and that 2016 will continue to challenge us. As noted in the Board Chair's message, 2015 was full of economic upheaval, at home and abroad, that required WBHDC to improve processes, increase efficiencies, develop even greater fiscal discipline, and generate a stronger case for increased provincial funding. We reduced staff by seven percent, primarily through attrition. We negotiated a collective bargaining agreement that will hold compensation at or below 2015 levels for three years. At year's end, we also had a vacancy rate of 32 percent, representing almost 400 vacant units, units with mostly fixed costs that are not generating revenue.

We will strive to better understand the new economic climate in which we operate, refine our strategic plan, and explore new opportunities that will enable us to continue to fulfill our mission and proudly report on our performance.

WBHDC remains financially self-sustaining in 2015 and we anticipate we will remain so in 2016 despite the growing economic constraints that confront everyone in Wood Buffalo. We are working hard with our Board to ensure we can continue to serve our tenants, clients and stakeholders, including the Regional Municipality, through good and bad times, building the foundation that enables anyone with enough desire to make Wood Buffalo their home – one household at a time.

I would like to thank the members of the Board of Directors for the commitment they have demonstrated to WBHDC. I look forward to working with them in 2016.

Respectfully submitted,

Greg Elsasser
Acting President &
Chief Executive Officer

Board of Directors

Maggie Farrington
Chief Executive Officer, Athabasca Tribal Council
- Appointed to Board January 1, 2016
- Term expires December 31, 2018
- Appointed Chair on April 20, 2016
- Audit and Finance Committee, *ex officio*
- Governance Committee, Chair

Roy Amalu
Comptroller, Norcan Electric, Inc.
- Appointed to Board June 28, 2016
- Term expires December 31, 2016
- Audit and Finance Committee, member

Jennifer Best
Senior Director, Community Programs and Housing Initiatives, YMCA of Northern Alberta, Wood Buffalo Region
- Appointed to Board January 1, 2016
- Term expires December 31, 2018
- Appointed Vice-Chair on April 25, 2016
- Governance Committee, member

Peter Fortna
Owner, Willow Springs Strategic Solutions
- Appointed to Board June 28, 2016
- Term expires December 31, 2017
- Planning and Development Committee member

Scott Garner
Area Team Leader, Project Development and Execution Major Projects, Syncrude
- Appointed to the Board June 28, 2016
- Term expires December 31, 2016
- Planning and Development Committee member

Jason Schulz
Contracts Manager, Western Region Acuren
- Appointed to Board January 1, 2016
- Term expires December 31, 2018

Jag Singh
Senior Accountant, Keyano College
- Appointed to Board March 15, 2016;
- Term expires December 31, 2016
- Appointed Treasurer on April 25, 2016
- Audit and Finance Committee, Chair

Connie Stevens
Owner, Highpoint Services, Inc.
- Appointed to Board January 1, 2016
- Term expires December 31, 2017
- Appointed Secretary on April 25, 2016
- Audit and Finance Committee, member
- Planning and Development Committee member

Allan Vinni
Ward 3 Councillor, Regional Municipality of Wood Buffalo
Allan Vinni Law Office
- Appointed as Council Representative October 27, 2015
- Governance Committee, member

Greg Elsasser
Chief Financial Officer, Acting President & CEO, *ex officio*

Statement of Financial Position

As at December 31, 2015

		2015		2014
Assets				
Current assets:				
Cash and cash equivalents	**$**	**13,592.302**	$	11,023,487
Portfolio investments		**37,650,742**		40,269,395
Accounts receivable		**839,028**		8,261,273
Contributions receivable		**3,181,317**		2,701,402
Prepaid expenses and deposits		**1,330,592**		1,206,231
Current portion of mortgages receivable		**-**		1,150,000
Real property inventory		**2,004,830**		1,065,301
		58,598,811		65,677,089
Mortgages, notes and other receivables		**8,113,772**		8,604,136
Property and equipment		**268,808,553**		256,899,916
Restricted cash		**31,001,122**		29,960,774
	$	**366,522,258**	$	361,141,915
Liabilities and Net Assets				
Current liabilities:				
Demand loans	**$**	**23,907,701**	$	15,455,210
Accounts payable and accrued liabilities		**8,313,908**		8,225,395
Prepaid rent and deposits		**1,381,260**		1,718,914
Current portion of deferred contributions		**3,146,411**		28,936,931
Current portion of rights holder agreements		**99,200**		99,200
Current portion of long-term debt		**2,817,146**		2,757,060
		39,665,626		57,192,710
Deferred contributions		**19,382,962**		19,286,760
Rights holder agreements		**1,470,400**		1,569,600
Long-term debt		**79,547,444**		83,107,294
Unamortized external capital contributions		**87,140,056**		62,976,473
		227,206,488		224,132,837
Net assets:				
Unrestricted		**54,892,202**		36,525,053
Invested in property and equipment		**75,396,210**		92,603,880
Internally restricted		**9,027,358**		7,880,145
		139,315,770		137,009,078
	$	**366,522,258**	$	361,141,915

Statement of Operations

Year ended December 31, 2015

	Budget	2015	2014
Revenues:			
Property sales	$ 403,931	$ **5,784,065**	$ 4,877,130
Cost of sales	-	**(5,048,779)**	(3,108,457)
	403,931	**735,286**	1,768,673
Rental properties revenue	19,253,753	**16,350,383**	18,366,312
Rent supplement revenue	2,366,432	**4,801,698**	4,882,733
Other income	1,079,405	**1,047,443**	1,122,464
Operating grants, contributions, donations	3,790,153	**3,291,714**	3,372,562
Municipal requisitions	2,305,413	**2,130,789**	1,832,646
Insurance proceeds	-	**621**	72,020
Interest income	381,968	**877,400**	1,048,604
Amortization of external capital contributions	1,917,081	**2,091,456**	1,917,081
Amortization of rights holder agreements	99,200	**99,200**	99,200
	31,597,336	**31,425,990**	34,482,295
Expenses:			
Rental properties operating expenses	2,387,768	**2,402,189**	2,252,558
Rent supplement transfers to other landlords	-	**1,498,207**	1,991,918
Other operating expenses	-	**586,707**	204,377
Wages and benefits	8,277,303	**6,984,976**	7,415,270
Repairs and maintenance	1,720,873	**2,247,476**	2,854,797
Office and administration	707,698	**741,292**	876,142
Utilities	1,886,138	**1,533,859**	1,702,311
Property taxes	2,018,247	**1,638,727**	1,552,085
Insurance	845,886	**830,534**	801,978
Amortization	5,126,153	**5,860,065**	5,212,628
Interest on long-term debt	3,197,837	**3,345,153**	3,291,389
	26,167,903	**27,669,185**	28,155,453
General and administration:			
Wages and benefits	4,711,296	**4,261,875**	3,789,113
Office and administration	1,481,136	**1,044,723**	1,041,787
Insurance	32,986	**33,343**	29,426
Amortization	187,923	**247,589**	194,515
Gain on disposal of property and equipment	(2,137,627)	**(1,000)**	(2,000)
Insurance proceeds on property fire	-	**(3,046,372)**	(12,200,835)
Impairment loss due to property fire	-	**-**	12,200,835
Transfer to property and equipment	(1,735,440)	**(1,090,045)**	(1,419,294)
	2,540,274	**1,450,113**	3,633,547
Excess of revenues over expenditures	$ 2,889,159	$ **2,306,692**	$ 2,693,295

Statement of Cash Flow

Year ended December 31, 2015

		2015		2014
Operations:				
Excess of revenues over expenditures	**$**	**2,306,692**	$	2,693,295
Items not involving cash:				
(Gain) loss on disposal of property and equipment		**(1,000)**		(2,000)
Impairment loss due to property fire		**-**		12,200,835
Insurance proceeds on property fire		**(3,046,372)**		(12,200,835)
Amortization of property and equipment		**6,107,657**		5,407,143
Amortization of external capital contributions		**(2,091,456)**		(1,917,081)
Amortization of rights holder agreements		**(99,200)**		(99,200)
Accrued interest income		**(506,347)**		(269,395)
Change in non-cash operating working capital		**1,201,204**		15,303,146
		3,871,178		21,115,908
Financing:				
Proceeds from demand loan		**8,452,491**		15,455,210
Deferred capital contributions		**108,170**		8,345
External capital contributions		**5,040**		5,041
Repayment of long-term debt		**(3,499,764)**		(2,661,266)
		5,065,937		12,807,330
Capital:				
Proceeds from disposal of property and equipment		**1,000**		2,000
Insurance proceeds for property fire		**3,046,372**		-
Purchase of property and equipment		**(13,140,687)**		(22,032,609)
		(10,093,315)		(22,030,609)
Investing:				
Advances of mortgages, notes and other receivables		**(578,132)**		(565,200)
Repayments of mortgages, notes and other receivables		**2,218,495**		1,238,254
Proceeds on maturity of portfolio investments		**3,125,000**		10,092,879
Purchase of portfolio investments		**-**		(40,000,000)
Increase in restricted cash		**(1,040,348)**		(1,460,076)
		3,725,015		(30,694,143)
Increase (decrease) in cash and cash equivalents		**2,568,815**		(18,801,514)
Cash and cash equivalents, beginning of year		**11,023,487**		29,825,001
Cash and cash equivalents, end of year	**$**	**13,592,302**	$	11,023,487
Supplemental cash flow information:				
Interest paid	**$**	**3,345,153**	$	3,291,389
Interest received		**877,400**		1,048,604

Statement of Changes in Net Assets

Year ended December 31, 2015

	2015			
	Unrestricted	Invested in Property and Equipment	Internally Restricted	Total
Balance, beginning of year	$ 36,525,053	$ 92,603,880	$ 7,880,145	$ 137,009,078
Excess of revenues over expenditures	2,306,692	-	-	2,306,692
Invested in property and equipment (net)	17,207,670	(17,207,670)	-	-
Restricted	(1,147,213)	-	1,147,213	-
Balance, end of year	**$ 54,892,202**	**$ 75,396,210**	**$ 9,027,358**	**$ 139,315,770**

	2014			
	Unrestricted	Invested in Property and Equipment	Internally Restricted	Total
Balance, beginning of year	$ 35,397,107	$ 92,459,029	$ 6,459,647	$ 134,315,783
Excess of revenues over expenditures	2,693,295	-	-	2,693,295
Invested in property and equipment (net)	(144,851)	144,851	-	-
Restricted	(1,420,498)	-	1,420,498	-
Balance, end of year	**$ 36,525,053**	**$ 92,603,880**	**$ 7,880,145**	**$ 137,009,078**

I have worked in this region since 2008, and seen people struggle to find affordable housing," says Norm Stevens, Associate Regional Director with Apprenticeship & Industry Training, Alberta Advanced Education. "There's no doubt [Wood Buffalo Housing's partnership with public sector employees] leads to better recruitment and, very likely, staff growing roots in the community. Long term residents love this region!"

WBHD
WOOD BUFFALO HOUSING & DEVELOPMENT CORPORATION

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Phone: (780) 799-4050
Toll-free in Wood Buffalo: 1-888-799-4050
Office hours: Monday through Friday, 8:30 a.m. to 4:00 p.m.

Applications office
Suite 203, 10020 Franklin Avenue
Fort McMurray, AB T9H 2K6
Phone: (780) 743-4140
Office hours: Monday through Friday, 10:00 a.m. to 4:00 p.m.

Rotary House Seniors' Lodge
10116 Fraser Avenue
Fort McMurray, AB T9H 5E9
Phone: (780) 715-2358
Office hours: Monday through Friday, 8:00 a.m. to 4:00 p.m.

wbhadc.ca