

NO: R111

COUNCIL DATE: May 28, 2018

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **May 17, 2018**

FROM: **City Solicitor**

FILE: **2480-01**

SUBJECT: **Surrey City Development Corporation ("SCDC") – 2018 Annual General Meeting**

RECOMMENDATION

The Legal Services Division recommends that Council:

1. Receive this report for information;
2. Receive the Notice of the 2018 Annual General Meeting ("AGM") and Agenda for SCDC, a copy of which is attached as Appendix "I" to this report;
3. Authorize the General Manager, Corporate Service to appoint an Assistant City Solicitor to represent the Shareholder (the "City of Surrey") at the AGM for the Corporation;
4. As sole shareholder of SCDC, endorse the recommendations which are listed below and as set out in the Notice of Annual General Meeting and Agenda; and
 - a. Approve the Agenda;
 - b. Approve the Minutes of June 22, 2017 Annual General Meeting;
 - c. Approve the Audited Financial Statements for the Year Ended December 31, 2017 (attached as Appendix "II" to this report);
 - d. Approve the Appointment of BDO Canada LLP ("BDO") as the Auditors for the Year Ending December 31, 2018;
 - e. Authorize the Board to conduct a search to add another Director to the board of Directors; and
 - f. Receive the 2017 Report from the Board of Directors to the Shareholder.
5. Authorize the City Clerk to make Council's resolutions related to this report available to the public as information.

INTENT

The purpose of this report is to have Council, on behalf of the City of Surrey as the sole shareholder of SCDC, address matters related to the 2018 AGM for SCDC, which is scheduled for June 21, 2018 at 5:30PM and to approve these items in accordance with the *Business Corporations Act*.

BACKGROUND

SCDC was incorporated on April 24, 2007. The SCDC business strategy has two primary components; these being, firstly, to generate profits from real estate development that is sold and, secondly, to generate net income from investments in an income-producing portfolio of properties.

SCDC is wholly owned by the City of Surrey and has a Board of Directors; the majority of which, are independent of the City and bring a variety of business and real estate experience to the Board table.

DISCUSSION

SCDC's sole shareholder is the City of the Surrey and SCDC is accountable to the City for its activities. In turn, the City of Surrey is accountable to residents of Surrey.

Holding the AGM for SCDC and a public information meeting enables the company to report to the City and its residents on progress made during the prior year, and provide the opportunity for the shareholder or the public to raise questions and concerns. The AGM represents one of the key mechanisms for SCDC to demonstrate its commitment to transparency, accountability and good corporate governance.

The *Business Corporations Act* provides that for each Corporation an AGM is to be held in every calendar year and not more than 18 months after the annual reference date for the preceding calendar year. The last AGM for the SCDC was held on June 22, 2017.

The Notice of Annual General Meeting and Agenda for 2018 includes those items that should be addressed at the 2018 AGM of SCDC.

SUSTAINABILITY CONSIDERATIONS

SCDC's mandate includes some of the items listed below:

- provide a new revenue source to the City of Surrey by maximizing returns on surplus City-owned land;
- accelerate and act as a catalyst for development that would achieve community objectives; and
- provide strategic real estate advice in support of the City's vision for redeveloping areas of the City.

SCDC supports the overall objectives of the City's Sustainability Charter 2.0 as related to the themes of Built Environment and Neighbourhoods, and Economic Prosperity and Livelihoods.

Specifically, SCDC supports the following desired outcomes ("DO") and Strategic Directions ("SD"):

1. Built Environment and Neighbourhoods:

- Neighbourhoods and Urban Design DO6: Land is used efficiently and sensitively and development minimizes the impacts on the natural environment, views capes, agricultural land and urban wildlife.
- Neighbourhoods and Urban Design DO8: The built environment enhances quality of life, happiness and well-being.
- Neighbourhoods and Urban Design SD1: Promote missed use development in and around Town Centres and along transit corridors.
- Neighbourhoods and Urban Design SD5: Leverage, incentivize and enhance community benefits through the planning and construction of new development.

2. Economic Prosperity and Livelihoods

- Economy DO4: Surrey's economy is diversified with a mix of service, industrial, agricultural and innovation-based businesses.
- Economy DO5: Locally owned companies are thriving, creating a robust local economy and retaining wealth and jobs in the community.
- Economy DO8: The City's strong revenue base includes a balance of commercial and residential property taxes.
- Economy SD5: Ensure infrastructure is in place to support businesses as neighbourhoods develop.
- Economy SD6: Facilitate connections between businesses to support sourcing of local services, expertise and products.
- Economy SD9: Expand the sharing economy opportunities in Surrey.
- Innovation DO13: Surrey businesses demonstrate environmental stewardship in their products, services and practices.
- Innovation DO16: Surrey's businesses are active participants in the community and create economic value in a way that generates value for society.

CONCLUSION

Based on the above discussion, it is recommended that Council:

- Receive this report for information;
- Receive the Notice of the 2018 Annual General Meeting ("AGM") and Agenda for SCDC, a copy of which is attached as Appendix "I" to this report;
- Authorize the General Manager, Corporate Service to appoint an Assistant City Solicitor to represent the Shareholder (the "City of Surrey") at the AGM for the Corporation; and
- As sole shareholder of SCDC, endorse the recommendations which are listed below and as set out in the Notice of Annual General Meeting and Agenda:
 - a. Approve the Agenda;
 - b. Approve the Minutes of June 22, 2017 Annual General Meeting;

- c. Approve the Audited Financial Statements for the Year Ended December 31, 2017 (attached as Appendix "II" to this report);
 - d. Approve the Appointment of BDO Canada LLP ("BDO") as the Auditors for the Year Ending December 31, 2018;
 - e. Authorize the Board to conduct a search to add another Director to the board of Directors; and
 - f. Receive the 2017 Report from the Board of Directors to the Shareholder.
- Authorize the City Clerk to make Council's resolutions related to this report available to the public as information.

CRAIG MacFARLANE
City Solicitor

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Attachment: Appendix "I" – SCDC Notice and Agenda of the 2018 Annual General Meeting
Appendix "II" – Financial Statements for the year ending December 31, 2017

NOTICE OF THE 2018 ANNUAL GENERAL MEETING



Surrey City Development Corporation

MEETING DATE: June 21, 2018

TIME: 5:30 p.m. – 6:30 p.m.

PLACE: Surrey City Centre Library
10350 University Drive
Surrey, BC V3T 4B8
Meeting Room 405

AGENDA

ITEM	ACTION	RESPONSIBILITY
1. Agenda	Approve	Corporate Secretary
2. Approval of the Minutes of June 22, 2017 Annual General Meeting	Approve	Corporate Secretary
3. Approve Financial Statements for Year Ended December 31, 2017	Approve	CFO
4. Appointment of BDO Canada LLP as the Company's Auditor for 2018	Approve	CFO/Corporate Secretary
5. Report of Directors to Shareholder Authorize Board to add another Director	Receive	Board Chair
6. Adjournment		Corporate Secretary

Consolidated Financial Statements of

SURREY CITY DEVELOPMENT CORPORATION

Year ended December 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Surrey City Development Corporation (the "Corporation") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's financial statements.



President and Chief Executive Officer



Chief Finance Officer

April 11, 2018



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BDO Canada LLP
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Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Surrey City Development Corporation

We have audited the accompanying consolidated financial statements of Surrey City Development Corporation, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Surrey City Development Corporation as at December 31, 2017 and its results of operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements of Surrey City Development Corporation for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on April 12, 2017.

Chartered Professional Accountants

April 11, 2018
Vancouver, Canada

SURREY CITY DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 509,755	\$ 3,826,759
Due from governments (note 3)	704,105	1,465,763
Due from partners (note 4(a))	924,629	82,167
Investment in government business partnership (note 5)	373,606	-
Accounts receivable (note 6)	267,873	804,733
Short term and portfolio investments (note 7)	7,303,523	303,498
Performance bonds and deposits	30,000	181,201
Tenant inducements	40,428	9,036
	<u>10,153,919</u>	<u>6,673,157</u>
Liabilities:		
Accounts payable and accrued liabilities (note 8)	2,920,285	3,258,956
Due to governments (note 9)	1,004,695	-
Loans payable (note 10)	32,078,624	33,569,284
Deposits (note 11)	4,531,387	5,514,687
Deferred gains (note 12)	4,220,601	3,957,409
Due to partners (note 4(b))	3,668,421	4,120,875
Due to City of Surrey (note 13)	9,557,422	22,960,955
	<u>57,981,435</u>	<u>73,382,166</u>
Net debt	(47,827,516)	(66,709,009)
Non-financial assets:		
Tangible capital assets (note 14):		
Properties under development	86,906,925	66,320,624
Income properties	20,883,973	30,801,157
Tangible capital assets in use	126,665	153,780
	<u>107,917,563</u>	<u>97,275,561</u>
Prepaid expenses	64,931	357,304
	<u>107,982,494</u>	<u>97,632,865</u>
Accumulated surplus (note 15)	<u>\$ 60,154,978</u>	<u>\$ 30,923,856</u>

Contractual obligations (note 16)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

_____ Director _____ Director

SURREY CITY DEVELOPMENT CORPORATION

Consolidated Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017 (Note 21)	2017	2016
Income from sales of development properties:			
Proceeds of sales	\$ 54,474,940	\$ 37,770,787	\$ 33,527,764
Less: Cost of sales	(42,450,832)	(27,530,132)	(24,055,504)
Development property sales income, net	12,024,108	10,240,655	9,472,260
Income property lease revenue, gross (note 6)	1,966,010	1,796,772	2,445,790
Less: Income property lease direct costs - operating	(1,117,482)	(1,031,977)	(2,021,183)
Less: Income property lease direct costs - interest	(577,306)	(517,306)	(323,334)
Property lease income, net	271,222	247,489	101,273
Gain on sale of income properties	-	-	12,150,356
Income from government business partnership (note 5)	263,014	267,824	-
Other income	-	256,712	58,898
Write-off of development costs (note 17)	-	-	(903,227)
	12,558,344	11,012,680	20,879,560
Corporate operating expenses:			
Administration	459,740	457,512	200,524
Income properties	91,948	91,502	601,573
Real estate development and sales	1,287,272	1,281,034	1,203,145
	1,838,960	1,830,048	2,005,242
Partnership operating expenses	120,240	29,810	137,909
	1,959,200	1,859,858	2,143,151
Annual surplus from operations	10,599,144	9,152,822	18,736,409
Preferred shares issued	14,731,400	25,482,000	-
Preferred shares redeemed	(2,484,700)	(903,700)	(1,429,800)
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)	(4,500,000)
Annual surplus	18,345,844	29,231,122	12,806,609
Accumulated surplus, beginning of year	30,923,856	30,923,856	18,117,247
Accumulated surplus, end of year	\$ 49,269,700	\$ 60,154,978	\$ 30,923,856

See accompanying notes to consolidated financial statements.

SURREY CITY DEVELOPMENT CORPORATION

Consolidated Statement of Changes in Net Debt

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017 (Note 21)	2017	2016
Annual surplus	\$ 18,345,844	\$ 29,231,122	\$ 12,806,609
Acquisition of tangible capital assets:			
Properties under development (notice 21(b)(i) and 21(b)(ii))	(87,670,560)	(45,047,423)	(23,563,883)
Administration	(65,300)	(34,649)	(79,120)
Capitalization of wages	(1,306,200)	(919,527)	(871,859)
	(89,042,060)	(46,001,599)	(24,514,862)
Disposal of tangible capital assets:			
Properties under development (note 21(b)(iii))	528,000	-	146,985
Amortization of tangible capital assets:			
Administration	70,960	61,764	18,719
Income properties (note 21(c)(i))	801,250	250,700	495,857
	872,210	312,464	514,576
Write-downs of tangible capital assets	-	-	903,227
Transfer to properties held-for-sale (notes 21(b)(i) and 21(b)(iii))	78,439,000	25,368,401	15,628,614
Transfer to investment in government business partnership (note 21(c)(i))	-	9,678,732	-
Change in prepaid expenses	(45,000)	292,373	(122,143)
Decrease in net debt	9,097,994	18,881,493	5,363,006
Net debt, beginning of year	(66,709,009)	(66,709,009)	(72,072,015)
Net debt, end of year	\$ (57,611,015)	\$ (47,827,516)	\$ (66,709,009)

See accompanying notes to consolidated financial statements.

SURREY CITY DEVELOPMENT CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus from operations	\$ 9,152,822	\$ 18,736,409
Items not involving cash:		
Amortization	312,464	514,576
Increase (decrease) in deferred gains	263,192	(804)
Gain on disposal of properties held-for-sale, properties under development, and income properties	(10,240,655)	(21,622,616)
Changes in non-cash working capital:		
Decrease in accounts receivable	536,860	120,696
Decrease (increase) in performance bonds and deposits	151,201	(58,012)
Decrease (increase) in tenant inducements	(31,392)	23,307
Decrease in due from governments	761,658	19,585
Decrease in accounts payable and accrued liabilities	(338,671)	(969,710)
Increase in due to governments	1,004,695	-
Increase (decrease) in deposits	(983,300)	4,992,287
Decrease (increase) in prepaid expenses	292,373	(122,143)
	881,247	1,633,575
Capital:		
Purchase of tangible capital assets	(13,002,598)	(28,908,114)
Investments:		
Increase in investment in government business partnership	(373,606)	-
Increase in short term and portfolio investments	(7,000,025)	-
Proceeds from disposal of properties held-for-sale and properties under development	37,770,787	33,527,764
Proceeds from disposal of income properties	-	53,150,000
	30,397,156	86,677,764
Financing:		
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
Decrease (increase) in due from partners	(842,462)	1,377,566
Increase (decrease) in due to partners	(452,454)	2,780,904
Issuance of loans payable	8,659,880	27,703,577
Repayment of debt due to City of Surrey	(13,403,533)	(56,258,430)
Repayment of loans payable	(10,150,540)	(25,736,266)
Redemption of preferred shares	(903,700)	(1,429,800)
	(21,592,809)	(56,062,449)
Net change in cash	(3,317,004)	3,340,776
Cash, beginning of year	3,826,759	485,983
Cash, end of year	\$ 509,755	\$ 3,826,759
Supplementary cash flow information:		
Non-cash transactions:		
Land transfers in exchange for preferred shares	\$ 25,482,000	\$ -

See accompanying notes to consolidated financial statements.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Nature of operations:

Surrey City Development Corporation (the "Corporation") is a corporation established on April 24, 2007. The Corporation is a wholly owned subsidiary of the City of Surrey (the "City"), and its Board is appointed by the Council of the City. The Corporation has broad powers to advance the commercial, industrial and residential development of the City. The Corporation is classified as an Other Government Organization as it is not considered self-sustaining. The Corporation is exempt from income tax under section 141(a) of the Income Tax Act (Canada).

As at December 31, 2017, the Corporation had an accumulated operating surplus (note 15) of \$31,731,878 (2016 - \$27,079,056). The City has funded the Corporation through property transfers, loans and further equity investments. The City has confirmed that it will continue to support the Corporation. The Corporation's ability to continue operations is dependent upon continued future profitable operations and continued support by the City.

2. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") established by the Canadian Public Sector Accounting Board.

(b) Basis of consolidation:

The consolidated financial statements reflect the proportionate share of the assets, liabilities, revenues, and expenses of the controlled or jointly controlled organizations listed below. The proportionate share of all inter-departmental and inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

All controlled entities are consolidated at the Corporation's ownership percentage, with the exception of controlled government business enterprises which are accounted for using the modified equity method.

All government partnerships are proportionately consolidated. All government business partnerships are accounted for using modified equity method.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(b) Basis of consolidation (continued):

The Corporation has ownership in the following entities:

(i) Surrey City Investment Corporation ("SCIC"):

SCIC is an investment holding entity set up for mixed-use real estate development projects in the City. The Corporation owns 100% of SCIC.

Surrey Centre Limited Partnerships

SCIC has 24.4% (2016 – 29.9%) ownership in the following government partnerships, collectively referred to as the Surrey Centre Limited Partnerships (note 4(b)(i)):

- Surrey Centre Office Limited Partnership
- Surrey Centre Hotel Limited Partnership
- Surrey Centre Residential Limited Partnership

These government partnerships are proportionately consolidated in the Corporation's consolidated financial statements.

SCIC has 50% ownership in the following corporate entities (proportionately consolidated) referred to as the "Surrey Centre Tower Holdings" (note 4(b)(iv)):

- Surrey Centre Tower Holdings (Office #1) Ltd.
- Surrey Centre Tower Holdings (Office #2) Ltd.
- Surrey Centre Tower Holdings (Office #3) Ltd.
- Surrey Centre Tower Holdings (Office #4) Ltd.
- Surrey Centre Tower Holdings (Office #5) Ltd.
- Surrey Centre Tower Holdings (Hotel #1) Ltd.
- Surrey Centre Tower Holdings (Parking #1) Ltd.
- Surrey Centre Tower Holdings (Retail #1) Ltd.
- Surrey Centre Tower Holdings (Residential #1) Ltd.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(b) Basis of consolidation (continued):

(ii) Grove Limited Partnership:

The Corporation has 50% ownership in the Grove Limited Partnership ("Grove LP") (note 4 (b)(ii)). Grove LP is a government partnership and is proportionately consolidated into the Corporation's consolidated financial statements.

(iii) Grove (G.P.) Inc.:

Grove (G.P.) Inc. is the General Partner of Grove LP (note 4(b)(v)). The Corporation has 50% ownership in Grove (G.P.). Grove (G.P.) Inc. is a corporation and is proportionately consolidated into the Corporation's consolidated financial statements.

(iv) Surrey City Investment (Industrial) Corporation ("SCIIC"):

SCIIC is an investment holding entity set up for mixed-use real estate development projects in the City. The Corporation owns 100% of SCIIC.

SCIIC has 50% ownership in the Beedie SCDC (34A Ave) Limited Partnership ("Beedie LP") (note 4(b)(iii) and note 5). During fiscal 2017 Beedie LP met the criteria of a government business partnership the Corporation began accounting for it using the modified equity method (note 5). Previously Beedie LP was proportionately consolidated into the Corporation's financial statements as a government partnership (note 4 (b)(iii)). The change in presentation was made prospectively as of January 1, 2017.

SCIIC has 50% ownership in the Beedie SCDC (34A Ave) G.P. Ltd. ("Beedie GP"), the General Partner of Beedie LP (note 5). Beedie GP is a corporation and is accounted for using the modified equity method.

(v) Kwantlen Park Development Corporation ("KPDC"):

KPDC is an investment holding entity set up for mixed-use real estate development projects in the City. The Corporation owns 100% of KPDC.

(c) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(d) Non-financial assets:

(i) Tangible capital assets:

(a) Properties under development:

Properties under development include costs related to projects currently under planning, development or construction that will result in a finished real estate asset at a future date. Interest incurred on the development project is capitalized. Completed projects will either be reclassified as income properties, or properties held-for-sale. Costs related to planning, development or construction are capitalized until such time as the property is ready for use or sale.

(b) Income properties:

Properties held with the expectation of earning rental income are considered to be income properties. These properties include retail or commercial space that the Corporation leases to third parties.

(c) Tangible capital assets in use:

Tangible capital assets in use relate to administrative assets required by the Corporation to operate and manage overhead and administrative activities. These include computer equipment and software, furniture and fixtures, tenant improvements and other related assets.

(ii) Amortization of tangible capital assets:

The cost, less residual value, of tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Furniture and fixtures	5 years
Computer equipment and software	3 years
Tenant improvements	5 years

The useful lives of income properties are determined on an asset-by-asset basis based on estimated remaining useful lives at the time of acquisition or completion of construction. The initial useful life of the Corporation's income properties has been determined to be 40 years.

No amortization is recorded on properties under development. Amortization commences once the development is complete and the property is held or used as an income property.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(d) Non-financial assets:

(iii) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits are less than their net book value. Any impairment is accounted for as an expense in the consolidated statement of operations.

(iv) Transfers of tangible capital assets:

Certain transfers of tangible capital assets to partners are recorded at agreed-upon values, representing market values. Any gains on such transfers, realizable from third parties are deferred and will be recognized once the assets are sold outside the related group, or utilized in the future operations of such assets.

(e) Prepaid expenses:

Prepaid expenses include insurance and other items paid in advance and are recognized as an expense over the period of expected benefits.

(f) Revenues:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(i) Sales of properties:

Revenue recognition on sale of properties occurs when the Corporation has transferred the significant risks and rewards of ownership to the purchaser.

The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the selling price of the property or unit over the anticipated sales proceeds from the entire project.

(ii) Property lease revenue:

Property lease revenue includes all amounts earned from tenants including property tax and operating cost recoveries. Lease revenues are recognized on a straight-line basis over the term of the lease.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(g) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense is recorded using the effective interest method which includes all debt servicing costs.

(h) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include useful life, impairment and net recoverable values of tangible capital assets, provisions for accrued liabilities, commitments, and fair value of non-monetary land transfers.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

3. Due from governments:

	2017	2016
GST receivable	\$ 126,833	\$ 126,895
Receivable from the City of Surrey	249,878	-
Development costs recoverable from the City of Surrey (a)	327,394	1,338,868
	\$ 704,105	\$ 1,465,763

- (a) The Corporation has commenced development of certain properties that are owned by the City of Surrey. The development costs have been incurred on the City's behalf. The City is in the process of transferring the beneficial title of the lands and related improvements in trust to the Corporation. Until such time that the properties are legally transferred, the costs are recoverable from the City of Surrey. Upon transfer, these costs will be incorporated with the acquisition price of the properties.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments in government partnerships:

(a) Due from partners:

	2017	2016
Due from Surrey Centre Partners (note 4(b)(i))	\$ 924,629	\$ 82,167
	\$ 924,629	\$ 82,167

(b) Due to partners:

	2017	2016
Due to Surrey Centre Partners (note 4(b)(i))	\$ 3,668,421	\$ 4,119,690
Due to Beedie LP Partners (notes 4(b)(iii) and 5)	-	1,185
	\$ 3,668,421	\$ 4,120,875

(i) Surrey Centre Limited Partnerships ("SCLPs"):

The SCLPs were established on December 16, 2011 and are in the business of real estate investment and development of a mixed-use real estate project in the City. The SCLPs are held through SCIC, which has provided contributions of cash and land to fund the SCLPs operations. The SCLPs financial results are proportionately consolidated with those of the Corporation based upon the Corporation's partnership interest of 24.4% (2016 – 29.9%). The liability of the Corporation is limited to the cash and land it has contributed to the SCLPs through SCIC.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments in government partnerships (continued):

(b) Due to partners (continued):

(i) Surrey Centre Limited Partnerships ("SCLPs") (continued):

The Corporation's proportionate share included in these consolidated financial statements is as follows:

	2017	2016
Financial assets:		
Cash	\$ 48,090	\$ 115,315
Accounts receivable from SCLP partners	924,629	82,167
Accounts receivable	167,777	72,135
Due from governments	85,026	94,610
	<u>1,225,522</u>	<u>364,227</u>
Liabilities:		
Accounts payable and accrued liabilities	25,432	61,416
Loans payable	19,069,054	10,409,174
Deposits payable	3,853,309	4,481,831
Accounts payable to SCLP partners	3,668,421	4,119,690
Deferred gain	3,793,538	3,519,378
	<u>30,409,754</u>	<u>22,591,489</u>
Net debt	(29,184,232)	(22,227,262)
Tangible capital assets	43,084,476	35,989,487
Prepays	14,403	-
Accumulated surplus	<u>\$ 13,914,647</u>	<u>\$ 13,762,225</u>
	<u>2017</u>	<u>2016</u>
Other income	\$ 165,092	\$ -
Real estate marketing expenses	(29,564)	(28,563)
General administration expense	(222)	(6,042)
Annual surplus (deficit) from operations	<u>\$ 135,306</u>	<u>\$ (34,605)</u>

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments in government partnerships (continued):

(b) Due to partners (continued):

(i) Surrey Centre Limited Partnerships ("SCLPs") (continued):

As at December 31, 2017, the other partners were obligated to contribute \$61,045,344 of assets to the SCLPs in exchange for partnership units. Since the formation of the SCLPs the other partners contributed \$56,766,081 of assets at their fair value, resulting in a net obligation to the SCLPs of \$4,279,263 (2016 - \$292,116), of which \$924,629 (2016 - \$82,167), is effectively receivable by the Corporation.

(ii) Grove LP:

The Grove LP was established on September 1, 2011, for the purpose of developing 141 market townhomes in Surrey.

The Corporation has provided contributions of land to the Grove LP in exchange for its 50% limited partnership units.

Decision making for the Grove LP is vested in the General Partner, the Grove (G.P.), of which the Corporation holds 50% of the issued and outstanding shares. The Limited Partners do not exercise day-to-day management or control of the operations of the Grove LP. Financial results are proportionately consolidated with those of the Corporation based upon the Corporation's partnership interest of 50%.

The Grove LP began property development during fiscal 2011. All related costs to date have been capitalized. All market townhomes have been completed and sold. The project is in the maintenance and warranty period.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments in government partnerships (continued):

(b) Due to partners (continued):

(ii) Grove LP (continued):

The Corporation's proportionate share included in these consolidated financial statements is as follows:

	2017	2016
Financial assets:		
Cash	\$ 87,236	\$ 42,395
Accounts receivable	368	77
Deposits	25,000	81,201
	<u>112,604</u>	<u>123,673</u>
Liabilities:		
Accounts payable and accrued liabilities	9	24,210
Deferred gain	3,000	3,000
	<u>3,009</u>	<u>27,210</u>
Net Financial Assets	109,595	96,463
Tangible capital assets	-	-
Accumulated surplus	\$ 109,595	\$ 96,463

	2017	2016
Revenues, net of direct costs	\$ 13,156	\$ 436,196
Operating expenses	(24)	(103,305)
Annual surplus from operations	\$ 13,132	\$ 332,891

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments in government partnerships (continued):

(b) Due to partners (continued):

(iii) Beedie LP:

The Beedie LP was established on September 9, 2014 to develop a build-to-suit industrial building in Surrey. Development of the industrial building was completed in 2016 and the building has since been occupied by a tenant under a long term lease. The Corporation's partnership interest is held through SCIIC, which provided contributions of cash and land to fund development. In 2016 the Beedie LP was proportionately consolidated into the Corporation's financial statements as a government partnership based upon the Corporation's partnership interest of 50%. During fiscal 2017 the Beedie LP met the criteria of a government business partnership and results are accounted for under the modified equity method (note 5). The liability of the Corporation is limited to the cash and land which it has contributed to the Beedie LP through SCIIC.

The Corporation's proportionate share included in these consolidated financial statements in 2016 is as follows:

	2016
Financial assets:	
Cash	\$ 25,203
Accounts receivable	72,168
	<u>97,371</u>
Liabilities:	
Accounts payable and accrued liabilities	15,107
Accounts payable to Beedie LP partners	1,185
Deferred gain	435,031
Deposits payable	34,649
Long-term debt	9,727,169
	<u>10,213,141</u>
Net Debt	(10,115,770)
Tangible capital assets	9,678,731
Prepaid expenses	305,305
Accumulated deficit	\$ (131,734)
	<u>2016</u>
Income property lease revenue, gross	\$ 332,467
Income property lease direct costs	(611,502)
Annual deficit from operations	\$ (279,035)

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments in government partnerships (continued):

(b) Due to partners (continued):

(iv) Surrey Centre Tower Holdings:

The Corporation holds a 50% interest in nine holding companies to facilitate the Surrey Centre Partnerships. These are bare trust entities, in which there were no significant transactions in fiscal 2017. There was no significant impact on the consolidated financial statements in 2017.

(v) Grove (G.P.):

The Grove (G.P.) is the General Partner of the Grove LP and the Corporation holds 50% of its issued and outstanding shares. There were no significant transactions in fiscal 2017. There was no significant impact on the consolidated financial statements in 2017.

5. Investment in government business partnership:

Beedie LP:

The Beedie LP was established on September 9, 2014 to develop a build-to-suit industrial building in Surrey. Development of the industrial building was completed in 2016 and the building has since been occupied by a tenant under a long term lease. The Corporation's partnership interest is held through SCIIC, which provided contributions of cash and land to fund development. In 2016 the Beedie LP was considered to be a government partnership and results were proportionately consolidated with those of the Corporation based upon the Corporation's partnership interest of 50% (note 4(b)(iii)). In 2017 the Beedie LP met the criteria of a government business partnership and results are accounted for under the modified equity method. The liability of the Corporation is limited to the cash and land which it has contributed to the Beedie LP through SCIIC.

The 2017 budget for the Beedie LP has been restated to conform with the modified equity method of accounting.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Investment in government business partnership (continued):

Beedie LP (continued):

Financial information in respect of this entity is as follows:

	2017
Financial assets:	
Cash	\$ 159,620
Straight-line rent receivable	131,916
	<u>291,536</u>
Liabilities:	
Accounts payable and accrued liabilities	18,209
Accounts payable to Beedie LP partners	2,478
Deposits payable	128,052
Long-term debt	9,453,207
	<u>9,601,946</u>
Net Debt	(9,310,410)
Tangible capital assets	9,391,949
Prepaid expenses	292,067
Accumulated surplus	\$ 373,606
	<u>2017</u>
Income property lease revenue, gross	\$ 1,034,422
Income property lease direct costs	(766,598)
Annual surplus from operations	\$ 267,824

Beedie SCDC (34A Ave) G.P. Ltd.:

The Beedie SCDC (34A Ave) G.P. Ltd., is the General Partner of the Beedie LP and the Corporation holds 50% of its issued and outstanding shares. There were no significant transactions in fiscal 2017. There was no significant impact on the consolidated financial statements in 2017.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

6. Accounts receivable:

	2017	2016
Straight-line rent receivable	\$ -	\$ 32,981
Other	267,873	771,752
	<u>\$ 267,873</u>	<u>\$ 804,733</u>

Straight-line rent receivable of \$32,981 in 2016 related to escalating rent on a twenty year lease in the Beedie LP. In 2017 the Beedie LP met the criteria of a government business partnership and results are accounted for under the modified equity method (note 5).

7. Short term and portfolio investments:

	2017	2016
Short term investments (a)	\$ 7,000,025	\$ -
Investment in Bosa Properties (Bright A.1) LP (b)	303,498	303,498
	<u>\$ 7,303,523</u>	<u>\$ 303,498</u>

(a) Short term investments are comprised of term deposits which have a maturity of three months or less. The Corporation's short term investments had an average portfolio yield of 1.60% and can be liquidated on demand without penalty.

(b) During 2013, the Corporation invested \$700,000 for a 20% interest in Bosa Properties (Bright A.1) Limited Partnership ("Bosa LP"). During 2014 the Corporation received a \$396,502 distribution from the Bosa LP, as a distribution was made to each partner in proportion to their ownership interest. Accordingly, the Corporation's investment in the partnership was reduced to \$303,498.

The Corporation does not share control of the Bosa LP and accordingly, the Corporation has accounted for this investment as a portfolio investment, carried at cost.

8. Accounts payable and accrued liabilities:

	2017	2016
Trade accounts payables and accrued liabilities	\$ 2,367,705	\$ 3,139,774
Holdbacks payable	552,580	119,182
	<u>\$ 2,920,285</u>	<u>\$ 3,258,956</u>

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

9. Due to governments:

Due to governments represents amounts owing to the City of Surrey for development work performed by the City on lands prior to the transfer of beneficial interest of the property to the Corporation.

10. Loans payable:

	2017	2016
Cedar Hills loan payable, 10-year term maturing November 1, 2022, payable in monthly payments of blended principal and interest in the amount of \$78,497 with interest at 3.95% per annum, secured by a mortgage on the commercial property	\$ 13,009,570	\$ 13,432,941
Term loan, Beedie LP, 5-year term maturing November 1, 2021, payable in monthly payments of blended principal and interest in the amount of \$90,473, with interest at 2.8% per annum, secured by the underlying property (i)	-	9,727,169
Construction loan, SCLPs, bearing interest at the bank's prime lending rate, secured by the underlying property and repayable upon the earlier of the receipt of the net proceeds from sales, take-out financing, lease prepayments, or upon the maturity date of August 31, 2018	19,069,054	10,409,174
	<u>\$ 32,078,624</u>	<u>\$ 33,569,284</u>

(i) In 2017 Beedie LP met the criteria of a government business partnership and results are accounted for under the modified equity method (note 5).

Scheduled principal payments on the loans payable over the next five years and thereafter are as follows:

2018	\$ 19,509,187
2019	457,690
2020	475,803
2021	495,037
2022	470,537
Thereafter	10,670,370
	<u>\$ 32,078,624</u>

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

11. Deposits:

	2017	2016
Deposits received from income property tenants	\$ 105,878	\$ 64,507
Deposits received from development property purchasers (i)	4,425,509	5,450,180
	<u>\$ 4,531,387</u>	<u>\$ 5,514,687</u>

(ii) The deposits received from development property purchasers includes \$3,853,309 (2016 - \$4,481,831) relating to the Corporation's proportionate share of Partnership deposits.

12. Deferred gains:

	2017	2016
Deferred gain on SCLP land (note 4(b)(i))	\$ 3,793,538	\$ 3,519,378
Deferred gain on Grove LP land (note 4(b)(ii))	3,000	3,000
Deferred gain on Beedie LP land (note 4(b)(iii))	424,063	435,031
	<u>\$ 4,220,601</u>	<u>\$ 3,957,409</u>

The Corporation has transferred land to the partnerships in lieu of their equity contributions to the development projects. As the land is being transferred at its estimated fair market value, there is an inherent gain on the transfer. The portion of the gain related to the Corporation's partnership interest has been eliminated. The portion of the gain attributed to the non-related parties has been deferred and will be recognized either upon the sale of the project to unrelated parties or once the project begins generating income. During the current fiscal year, the Corporation's interest in the SCLP partnership decreased from 29.9% to 24.4% which resulted in an increase to the deferred gain on this property and an associated increase to the property under development.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

13. Due to City of Surrey:

	2017	2016
Cash transfers made on behalf of the Corporation by the City, non-interest bearing, payable on demand (Development cost charges on Campbell Heights North)	\$ 3,311,728	\$ 2,276,829
Loan payable #1, interest charged at Royal Bank of Canada prime rate, payable on demand, (Interim project financing)	186,534	323,755
Loan payable #2, payable in monthly installments of blended principal and interest in the amount of \$62,541, with interest at 2.10%, maturing annually (Campbell Heights North 5)	-	14,100,897
Loan payable #3, payable in monthly installments of blended principal and interest in the amount of \$31,039, with interest at 3.15%, maturing annually (Brooksdale).	6,059,160	6,259,474
	\$ 9,557,422	\$ 22,960,955

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

14. Tangible capital assets:

	Properties under development	Income properties			Administration	Total
		Land	Building	Total		2017 Net book value
Cost						
Opening balance	\$ 66,320,624	\$ 15,059,405	\$ 16,814,197	\$ 31,873,602	\$ 476,455	98,670,681
Additions	45,954,702	-	12,248	12,248	34,649	46,001,599
Transfer to assets held for sale	(25,368,401)	-	-	-	-	(25,368,401)
Transfer to investment in government business partnership	-	(2,479,723)	(7,294,700)	(9,774,423)	-	(9,774,423)
Closing balance	86,906,925	12,579,682	9,531,745	22,111,427	511,104	109,529,456
Accumulated amortization						
Opening balance	-	-	1,072,445	1,072,445	322,675	1,395,120
Current year amortization	-	-	250,700	250,700	61,764	312,464
Disposals	-	-	-	-	-	-
Transfer to investment in government business partnership	-	-	(95,691)	(95,691)	-	(95,691)
Closing balance	-	-	1,227,454	1,227,454	384,439	1,611,893
Net book value	\$ 86,906,925	\$ 12,579,682	\$ 8,304,291	\$ 20,883,973	\$ 126,665	\$ 107,917,563

During the year, \$1,015,071 of interest was capitalized to properties under development (2016 – \$1,153,128). No contributions of tangible capital assets occurred in fiscal 2017 (2016 - nil).

	Properties under development	Income properties			Administration	Total
		Land	Building	Total		2016 Net book value
Cost						
Opening balance	\$ 53,791,121	\$ 13,002,844	\$ 25,955,016	\$ 397,335		93,146,316
Additions	24,435,742	-	-	79,120		24,514,862
Disposals and write downs	(1,050,212)	-	-	-		(1,050,212)
Transfer to assets held for sale	(741,795)	(423,162)	(16,775,328)	-		(17,940,285)
Transfer to income property	(10,114,232)	2,479,723	7,634,509	-		-
Closing balance	66,320,624	15,059,405	16,814,197	476,455		98,670,681
Accumulated amortization						
Opening balance	-	-	2,888,260	303,955		3,192,215
Current year amortization	-	-	495,856	127,841		623,697
Disposals	-	-	-	(109,121)		(109,121)
Transfer to assets held for sale	-	-	(2,311,671)	-		(2,311,671)
Closing balance	-	-	1,072,445	322,675		1,395,120
Net book value	\$ 66,320,624	\$ 15,059,405	\$ 15,741,752	\$ 153,780		\$ 97,275,561

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

15. Accumulated surplus:

Accumulated surplus is comprised of:

	2017	2016
Share capital, common shares (a)(i)	\$ 100	\$ 100
Share capital, preferred shares (a)(ii)	28,423,000	3,844,700
Accumulated operating surplus (b)	31,731,878	27,079,056
	<u>\$ 60,154,978</u>	<u>\$ 30,923,856</u>

(a) Share capital:

The Corporation was established by the City pursuant to Section 185 of the Community Charter with the intent that, until the City Council otherwise determines, all shares will be held by the City.

(i) Common shares:

The authorized capital of the Corporation includes 100 common shares without par value which are issued and outstanding as fully paid and non-assessable by the City.

(ii) Preferred shares:

The Corporation is authorized to issue an unlimited number of preferred shares without par value. As of December 31, 2017, the Corporation has issued 28,423 preferred shares (2016 - 3,844.7), with certain redemption provisions.

25,482 preferred shares were issued by the Corporation to the City during 2017 (2016 - nil) in exchange for beneficial ownership of real estate property.

During the year, the Corporation redeemed 903.7 preferred shares (2016 - 1,429.8) for \$903,700 (2016 - \$1,429,800).

(b) The change in accumulated operating surplus is as follows:

	2017	2016
Accumulated operating surplus, opening	\$ 27,079,056	\$ 12,842,647
Annual surplus current year	9,152,822	18,736,409
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
	<u>\$ 31,731,878</u>	<u>\$ 27,079,056</u>

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

16. Contractual obligations:

The Corporation is obligated to reimburse the City for all operating costs incurred by the City on behalf of the Corporation; all such amounts have been accrued as incurred.

The Corporation has entered into various agreements and contracts for services and construction. Commitments outstanding as at December 31, 2017 are \$6.0 million (2016 - \$21.0 million), inclusive of the Corporation's proportionate share of Partnership commitments of \$4.4 million (2016 - \$19.1 million).

17. Write-off of development costs:

During 2017, the Corporation did not write off any development costs.

The 2016 write-off of \$903,227 resulted from a change in the development plan for a specific property. The value of the land was not impaired and was transferred to a new development project. The development costs identified were written off as they were not expected to contribute to the future economic benefit of the new project under development.

18. Operating lease:

The Corporation leases office space. The lease expires on September 30, 2018. Future payments are as follows:

2018	\$92,627
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SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

19. Operating expenses by object:

The following is a summary of operating expenses by object:

	2017	2016
Advertising and promotion	\$ 27,772	\$ 14,832
Amortization	61,765	127,841
Communication	30,962	32,032
Consulting and professional	287,684	313,620
Directors' fees	148,195	171,062
Donations	45,907	34,924
Insurance	18,794	18,666
Interest on operating loan	15,957	146,798
Lease and rentals	195,277	190,726
Marketing	29,564	69,671
Membership and training	61,621	79,304
Research and investigation	641,609	508,978
Salaries and benefits	1,476,052	1,368,799
Supplies and materials	49,043	49,081
Service maintenance	25,013	30,299
Travel	4,264	5,176
	3,119,479	3,161,809
Consulting fees capitalized to development projects	(4,375)	(50,400)
Interest expensed to properties held for sale	(951)	(589)
Interest on operating loan capitalized to development projects	(15,006)	(146,209)
Research and investigation capitalized to development projects	(324,137)	-
Salaries and benefits capitalized to development projects	(915,152)	(821,460)
	\$ 1,859,858	\$ 2,143,151

20. Related party transactions:

Related parties include the City and its related entities as well as the government partnerships that the Corporation has an ownership interest in. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Transactions with government partnerships have been disclosed in note 4. Preferred share transactions have been disclosed in note 15.

- (i) The Corporation incurred interest expense of \$339,927 (2016 - \$1,148,192) on the Corporation's loans payable to the City.
- (ii) Property taxes, utilities and ancillary items of \$324,434 (2016 - \$503,940) were incurred by the Corporation and payable to the City.
- (iii) Permits, deposits and related fees of \$4,317,425 (2016 - \$4,756,829) were incurred by the Corporation and payable to the City.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

20. Related party transactions (continued):

- (iv) The Corporation incurred recoverable development costs of nil during 2017 (2016 - \$219,052) on land owned by the City. This amount is included in development costs recoverable from the City of Surrey (note 3(a)).
- (v) The Corporation recovered development costs of \$20,000 (2016 - \$160,313) on land owned by the City.
- (vi) Development coordinated works and bonds for 2017 totaled \$249,878 (2016 – nil) and were payable by the City to the Corporation (note 3).
- (vii) The Corporation was obligated to reimburse the City for development costs of \$1,004,695 (2016 – nil) expended by the City during the year prior to the transfer of beneficial interest of a property to the Corporation (note 9).

21. Budgeted figures:

- (a) Budgeted figures are provided for comparative purposes and were derived from the budget approved by City Council for the City of Surrey.
- (b) The budgeted figures included the following items which did not occur in 2017:
 - (i) The development of certain projects, including the development of projects through partnerships, was less than budgeted;
 - (ii) The transfer of certain lands to the Corporation from the City; and
 - (iii) The completion of development of a property through a partnership and its resulting transfer to properties held-for-sale.
- (c) The budget did not anticipate the following items which occurred in 2017:
 - (i) The reclassification of a government partnership to a government business partnership and the resulting transfer of that property to investment in government business partnership.