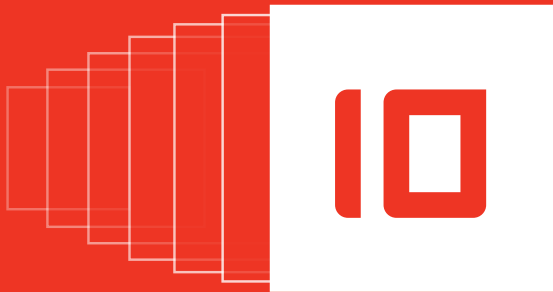


2017 Annual Report



YEARS
OF
MOMENTUM

scdc



Our Commitment to Surrey

OUR MANDATE IS THREE-FOLD:

To develop land for financial profit and the betterment of the City of Surrey.

To build an income producing real estate portfolio.

To help advance the City of Surrey's financial, social, economic, physical and community objectives.

Since Surrey City Development Corporation (SCDC) was first incorporated in 2007, the City of Surrey's population has grown by over 100,000 and the city has matured into one of the most thriving and exciting communities in Western Canada. Through all of this SCDC has been supporting Surrey's growth into a more modern, vibrant and complete community through its progressive real estate activities. Whether facilitating job creation and growing the commercial tax base through extensive industrial developments, cleaning up abandoned and contaminated land so that it can be repurposed as a vibrant new residential community or expanding Metro's second downtown in Surrey City Centre, SCDC has contributed in many meaningful and positive ways to Surrey's growth over these past ten years.

SCDC is a for-profit real estate development company and is separate from the City of Surrey with independent finance, operations, and governance. SCDC is governed by a professional Board of

Directors. SCDC has generated an annual surplus from operations since 2011 and has paid an annual dividend to the City of Surrey since 2013. The annual dividend is funded from SCDC's consolidated annual surplus from operations; the cumulative total of dividends to the City now stands at \$22.5 million. These funds have contributed to the City's budget for a number of important initiatives including the City's new Operations Centre, the North Surrey Arena replacement, the new City Hall, the biodiversity conservation program, technological infrastructure and library capital improvements.

The City is the sole Shareholder of SCDC through a Partnering Agreement, which outlines the Company's directives and authorities; it is not involved in the day-to-day management of SCDC. By virtue of the Partnering Agreement, SCDC aligns its goals with the City of Surrey

Table of Contents

SCDC Timeline.....	2
Mission, Vision & Values.....	3
Letter from the Chair.....	4
Letter from the President & CEO.....	5
Meet the Board.....	6
Meet the Team.....	8
About SCDC.....	10
Strategic Imperatives for the Next Ten Years.....	11
Looking Forward.....	12

Project Portfolio 15

3 Civic Plaza.....	18
Campbell Heights North.....	19
Weir Facility.....	20
Bakerview, Brooksdale & Bosa LP.....	21
Cedar Hills Shopping Centre.....	22
Cloverdale West Village.....	23
Management's Discussion & Analysis.....	24

Financial Performance 27

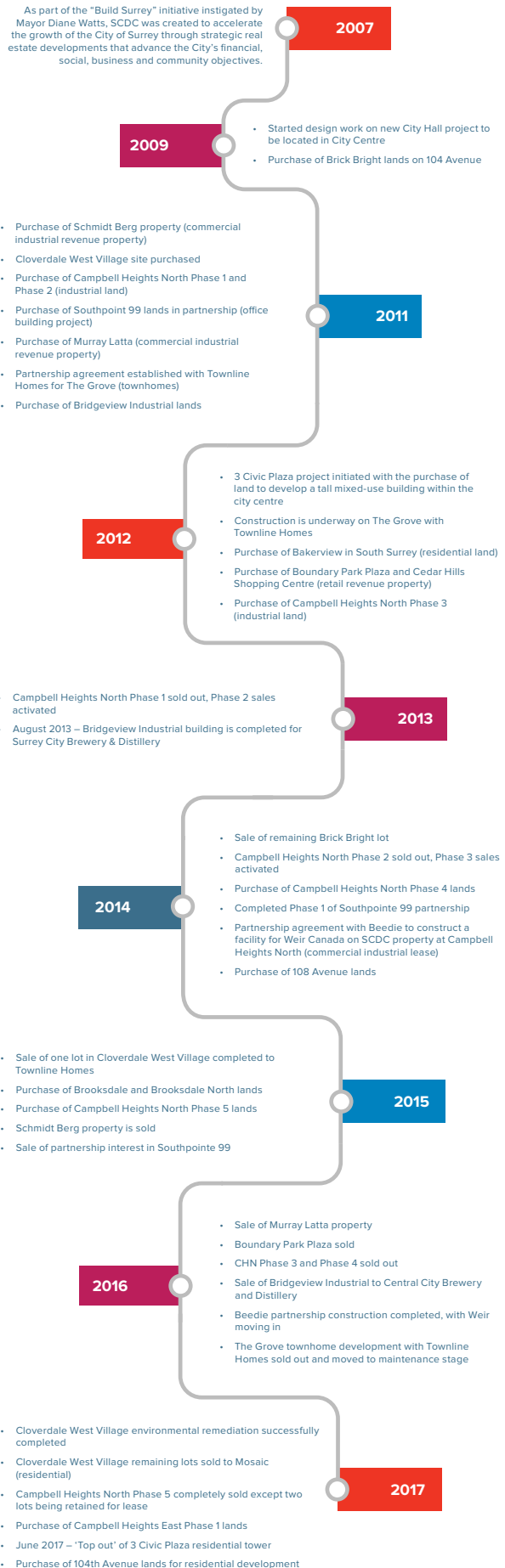
Management and Board Responsibilities for Reporting.....	28
Report of the Independent Auditors on the Summary Financial Statements.....	29

SCDC Timeline

Timeline of key achievements

During its first decade of operations, SCDC has undertaken a wide range of real estate activities. These activities have principally occurred on two fronts: active participation in the ongoing development of the City Centre and the industrial development of Campbell Heights. In addition to these two principal focuses, development and investment opportunities have also been pursued at various times in other parts of the city including the purchase of commercial revenue properties, a residential townhouse partnership development and a purpose-built industrial development.

To date, a large portion of SCDC's land holdings have been based on industrial lands purchased from the Province by the City of Surrey, although strategic purchases in the broader marketplace have also been made. This land has been improved upon by SCDC, most often in association with private sector development partners. SCDC has been generating an annual surplus from operations since 2011. In 2013 SCDC started paying a dividend to its Shareholder. As of December 31st 2017 the cumulative profits are \$55M. In addition, 2017 marks the 5th consecutive year in which a \$4.5M dividend will be paid to the City of Surrey (cumulative: \$22.5M). Over the last 5 years SCDC has been successful at increasing equity within the company and generating annual profits sufficient to cover operating costs and the dividend to the City of Surrey.



Mission

“We work to make Surrey better for its citizens through real estate”

SCDC’s mission statement aligns closely with the City of Surrey. In developing lands that bring vitality and work opportunities, our citizens are able to live and work within the same community. Given the rate of growth that Surrey is experiencing, the pressure on real estate and the potential positive impact it

can have is considerable. SCDC is working to make Surrey better from a financial, economic, aesthetic, social and environmental point of view through real estate development. We are able to do this by unlocking and enhancing the value of real estate under our control.

Vision

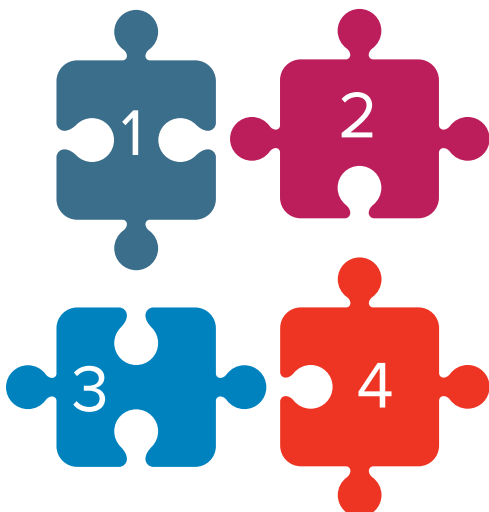
“In the next ten years SCDC will undertake ten significantly scaled and catalytic projects that will positively impact the City financially, socially, economically, environmentally and aesthetically.”

The vision for our second decade is that SCDC will continue to undertake meaningful projects that will change the City of Surrey for the better. We will also optimize the value of our landholdings and build a mixed portfolio of income producing properties that will provide longterm financial stability and

sustainability to the organization. The intent of this sustainable income stream is to allow for growth in order to build the organizational and financial capacity necessary to take on new challenges, as well as continue to provide a dividend to the Shareholder.

Values

There are four values that SCDC demonstrates and believes in:



1. EXCELLENCE

SCDC will be a beacon of excellence and will “set the bar” for real estate projects in Surrey. The results of our work will be a point of pride for all who come in contact with them.

2. LEAVING A LEGACY

SCDC has a conscious commitment to city building and recognizes that we have a broader obligation to society and the environment than singularly developing real estate for immediate financial return.

3. INTEGRITY

SCDC always acts with integrity and honesty in all our business dealings. We are committed to accountability and transparency with our Shareholder.

4. TEAMWORK

SCDC will foster an atmosphere of respect, engagement and teamwork with all our partners and employees. We will provide a positive and supportive workplace that will attract and retain talent.

Letter from the Chair

It is a pleasure to highlight SCDC's key accomplishments from the Board Chair's perspective for the year ending 2017.

2017 was reflective of another strong year for the company, both financially and organizationally, and marked the 10th year of successful operations for the company, a notable achievement that everyone should be very proud of.

One of the most important undertakings for the company in 2017 was the recruitment process for the President & CEO position. I am very pleased to report that in the fall of 2017, Michael Heeney was appointed this role with full support from the Board and Mayor and Council. The company is very fortunate to enter its second decade of operations with Michael Heeney leading the way; his global city building expertise will positively impact both the company and the City for years to come.

Financially, 2017 represented another strong year for the company with annual profits of \$9.2M. The company was again successful in providing its shareholder a dividend of \$4.5M, marking the 5th consecutive year of doing so. Cumulatively, the \$22.5M SCDC has provided in dividends to the City represents a significant contribution toward the City's capital program.

The first ten years of the company include many remarkable accomplishments, perhaps the most significant being the upcoming completion of the 3 Civic Plaza and Hotel. This landmark project will anchor the City center for years to come and signifies the growth, maturity and evolution the City has experienced in the last decade. SCDC's role in making 3 Civic Plaza and Hotel a reality, is just the beginning as the company, working closely with the City, will continue to influence the shaping of the City center through real estate development.

I would also like to take this opportunity to acknowledge and thank SCDC's Board of Directors for their significant contributions throughout the year. Their collective hard work, expertise and sincere engagement have positively impacted the company, staff and the City.

As we reflect on the company's first ten years it is difficult not to look to the future to imagine what impacts SCDC will have on this great growing city. SCDC is far more than a real estate development company. Driven by its hard working management team with professional oversight by its invested Board; it is a vehicle for social, financial and development evolution within the City. It is with great optimism that I look forward to the future of this company and of this City.

Respectfully,



Kam Grewal, CPA, BBA
Chair of the Board, SCDC

Letter from the President & CEO

On behalf of the entire team here at SCDC I am delighted to present our 2017 Annual Report.

2017 has been another successful year for SCDC financially and I am pleased to report that we achieved an annual surplus of operations of \$9.2M. This has enabled us to pay a \$4.5M dividend to our shareholder, the City of Surrey, for the fifth consecutive year.

The theme of this year's report is "10 Years of Momentum". On important anniversaries such as this, it is natural to reflect on past accomplishments and SCDC has much to be proud of. Our cumulative profits amounts to \$55M and we have contributed over \$22.5M in dividends to the City of Surrey, our shareholder. The financial fruits of our real estate activity, however, are only part of the story and don't reflect the entirety of SCDC's positive impact. Aside from their financial success, SCDC's projects will also have lasting positive social, economic and environmental impacts on the City as well.

2017 saw a range of SCDC activities continue throughout the city. In particular, our ongoing industrial development activity has now expanded to include a substantial new development area in Campbell Heights East. Construction nears completion on 3 Civic Plaza, a landmark tower project in the City Centre. Planning work is underway for significant new residential and mixed-use projects near the Gateway Skytrain station, and the Tynehead and Brooksdale neighborhoods. These activities have benefited from our working with a complement of top-notch development partners whose contributions, collaboration and investment have been so important to our success.

While looking back is natural, it is also important at times like this to look to the future. In particular we are interested in finding ways that we can build on the positive momentum that SCDC has created. For this reason, considerable effort during the last quarter of 2017 was spent charting directions for our next decade of operations. Within this Annual Report you will find information on our Strategic Plan, a plan that builds on SCDC's strong foundations while providing direction to the Corporation's future operations and priorities.

Ultimately, SCDC's past success as well as our future potential lies with the SCDC team. For that reason, I want to express my gratitude to the extraordinary staff at SCDC, who have worked so hard and with such dedication for the benefit of our shareholder. I want to specifically thank Emily Taylor, our talented CFO who also very ably stood-in as the Acting President and CEO for a number of months leading up to my arrival.

My thanks also extends to the amazing and hardworking SCDC Board of Directors. SCDC is a frequent beneficiary of their collected wisdom, as well as their generous and collaborative natures.

Finally my deep gratitude goes out to Surrey's Mayor and Council for their faith and trust in us and for providing this amazing opportunity to help shape this extraordinary city.

Michael Heene, Architect AIBC, FRAIC, RI (BC)
President & CEO, SCDC

Meet the Board

The SCDC Board of Directors is comprised of four independent Directors and two City-appointed Directors.



Kam Grewal – *Chair*

Kam Grewal is the General Manager of Finance for the City and is responsible for Financial Reporting, Corporate Audit, Risk Management, Corporate Procurement, Payroll Services, Property Tax & Utilities and Budgeting. Kam has over 15 years of financial experience in the public sector and has held various leadership roles since joining the City of Surrey in 2008.

Kam is a Chartered Professional Accountant and has a Bachelor of Business Administration degree from Simon Fraser University.



Scott Dutchak

Scott Dutchak has more than 20 years of real estate experience including real estate development, asset management and portfolio strategies. Scott is currently with TELUS Corporation and leads their corporate real estate function. He has held senior management positions with BCI (*British Columbia Investment Management Corporation*), several major real estate organizations, including three of North America's largest investors, owners and managers of commercial real estate, as well as a leading multi-national retailer.

Scott is a professional urban planner with a Bachelor of Applied Arts from Ryerson University, a member of the Canadian Institute of Planners, and holds a Master of Business Administration from the Australian Institute of Business.



Bruce Joyce

Bruce Joyce was a Senior Partner at Deloitte in Ottawa where he served terms as the Office Managing Partner National Capital Region and the National Leader of the Federal Government Practice. He currently serves as Chair of the Audit Committee of the Auditor General of Canada and is on the Board and Audit Committee Chair of Saegis, a CMPA company. Mr. Joyce also Chairs the Audit Committees of two publicly listed technology companies, CounterPath Corporation in Vancouver and ProntoForms Corporation in Ottawa. He is Chair of the Audit Committee for Ross Video, a private global production technology company based in Ottawa. Bruce lives in South Surrey, with a second home in Ottawa.

Bruce has an FCPA, FCA (*Fellow of the Chartered Professional Accountants of Ontario*), has his ICD.D from the Institute of Corporate Directors and is Human Resources and Compensation Committee Certified through The Directors College.



Vincent LaLonde

Vincent is the City Manager of the City of Surrey, and leads an innovative and dynamic Senior Management team to help shape and guide the City's strategic and corporate goals as set by Council. Through value-based leadership, a commitment to continuous improvement, and a focus on inspiring and empowering his teams, Vincent is committed to working with Mayor and Council to deliver a thriving, green, inclusive city.

Vincent is a Professional Engineer with his Bachelor and Master of Science degrees from McGill University.



Howard Nemtin

Howard Nemtin established Nemtin Consultants Limited in Vancouver and provides project management, consulting and real estate development expertise to institutional, government and large private clients throughout British Columbia. Prior to this, Howard worked with Marathon Realty developing shopping centres in western Canada and Narod Construction in project management. Howard has served as Chairman of Coast Mountain Bus Company and Vice-Chair of Translink. He is a Director of SFU Community Trust (*Univercity*) and Chair of the Finance & Audit Committee.

Howard has been on the BC Mediator Roster since 2003 and is the author of "Communities in Cooperation – A Guide to Alternate Dispute Resolution for First Nations and Local Governments in British Columbia". Mr. Nemtin has a Bachelor of Science from York University and an MBA from the University of Western Ontario. He is a practicing mediator with over 1,700 commercial mediations. Howard is a member of the Institute of Corporate Directors.



Suki Sekhon

Suki Sekhon is the President and CEO of CRS Group of Companies. The company has a diverse portfolio of retail shopping centres, office and warehouse buildings in the Lower Mainland, Vancouver Island and Calgary, AB. Suki's business portfolio includes over 25 years of experience in the commercial real estate industry. CRS Group of Companies built the Seniors Centre (*Independent Living Facility and Assisted Living Facility*) for Progressive Intercultural Community Services Society (*PICS*) in Surrey with BC Housing.

Suki attended the University of British Columbia before obtaining a Marketing Real Estate Diploma from BCIT. He is currently a member of the Real Estate Board of Greater Vancouver and NAIOP Commercial Real Estate Development Association, and a Board member of the Rick Hansen Foundation.

Meet the Team



7

3

6

4

9

11

10

8

1

5

2

12

1 MICHAEL HEENEY ARCHITECT AIBC, FRAIC, RI (BC)

President & CEO

A nationally and internationally recognized city builder, architect and urban strategist with over 30 years experience guiding organizations and leading diverse projects, Michael Heeneey joined SCDC as President and CEO in 2017. Michael has led local and international projects, often ones without precedent and in highly complex situations and jurisdictions. With a long-term and deep commitment to Surrey, some of his project experience prior to SCDC includes Surrey Central City, the City Centre Library, the Guildford Aquatic Centre and most recently the new SFU Surrey Engineering complex. Michael is passionate about enhancing communities through innovative urban design and architecture and sees the importance of creativity and culture in contributing to the health and vitality of urban centers.

Michael is a Member of both the Architectural Institute of BC and the Real Estate Institute of BC; a Fellow of both the Royal Architectural Institute of Canada and the Real Estate Institute of Canada; and a LEED accredited professional. He holds degrees from the University of British Columbia and the University of Toronto.

2 EMILY TAYLOR CPA, CA, ICD.D Chief Financial Officer

Emily is a senior executive with over 20 years of management experience in the real estate development and hospitality sectors. Her focus has been on providing financial and strategic leadership to support acquisition, development and divestiture decisions and creating strong relationships with the business community and with shareholders. Emily joined SCDC in 2012 and is responsible for financial management, governance, human resources and information technology functions for the corporation. Emily sits on the Economic Development Committee of the Downtown Surrey Business Improvement Association. She began her career with KPMG where she received her Chartered Accountancy designation in 1995. Emily has completed the Directors Education Program through the Institute of Corporate Directors.

3 BARRY GILBERT Managing Director Real Estate & Investment

Barry brings depth and experience in the areas of acquisition, development and partnerships in residential, commercial, retail and industrial. Prior to joining SCDC, Barry spent over 30 years in real estate development including senior positions in the private sector with several high profile developers including Bentall, Ledcor and Bosa Properties as well as operating his own consulting business.

Barry received his Bachelor of Commerce from the University of BC majoring in urban land economics and finance.

4 ERIKA ULINDER BELL Senior Development Manager

Erika has extensive experience in property acquisitions, pre-development, design and all phases of development through construction. She has worked across BC and the Lower Mainland with both commercial and residential developers, and was most recently with BC Housing Management Commission before joining SCDC. In addition to her work at SCDC, Erika is a member of the Board of Directors of the Surrey Homelessness and Housing Society. Erika received her Bachelor of Arts from McGill University, and a Diploma of Urban Land Economics from the University of BC.

5 ROSS YAMAGUCHI Senior Development Manager

Ross Yamaguchi has over 18 years' experience in real estate development, construction, and infrastructure. Ross' educational background includes a degree in Business/Economics from the University of California Riverside, a Masters in Intercultural Studies at Biola University and certificate programs of Light Construction and Land Development and Project Management at University of California Irvine. Ross is committed to the positive growth of Surrey and is professionally driven by the creation of a community that shares opportunity for both public and private realm benefits.

6 AMANDA ZIZEK CPA, CGA Senior Accounting Manager

Working closely with the CFO, Amanda focuses on the preparation of SCDC's quarterly and annual financial statements. She oversees accounting for asset acquisitions and disposals, and ensures that project budgets are on track. Prior to completing her CPA, CGA designation in 2014, Amanda graduated with distinction from both the Bachelor of Technology in Accounting and Financial Management Diploma programs through BCIT.

7 EFFIE CHEN CPA, CGA Senior Accounting Manager

A seasoned professional accountant with expertise in financial management and tax planning, Effie brings significant prior experience in property development, construction and property management to her role at SCDC. She has been involved extensively on the project accounting side on multiple mixed-use developments in the Lower Mainland. Effie completed her CPA, CGA designation in 2015. She received her Bachelor of Economics in Accountancy from Guangdong University of

Technology, and a diploma in Financial Management from BCIT.

8 MONICA NILES CPHR Manager Human Resources & Administration

Having worked in the Human Resources field for more than 15 years, Monica enjoys using her expertise to provide HR oversight to SCDC. Monica manages the implementation of Human Resource programs, oversees governance and risk management, manages SCDC board activities and ensures that policies and procedures align with SCDC's strategic direction. Monica received her Chartered Professional in Human Resources designation in 2008.

9 JAYME GREIG Accountant

A key member of the accounting team, Jayme brings several years of accounting experience within the real estate industry to her role. Jayme supports the development team and corporate accounting through full cycle accounting activities. Jayme holds a Diploma in Accounting and will be completing her Bachelor of Technology in Accounting from BCIT in 2018.

10 BINDI WATTS Development Coordinator

Bindi brings over 10 years of real estate experience to her role as Development Coordinator. Bindi supports the development team with the preparation of applications, budgets, reports, presentations, and proposals. Bindi holds a Bachelor of Arts from the University of British Columbia and is a Licensed Real Estate Broker having completed her Real Estate Trading Services Licensing Course at UBC Sauder School of Business.

11 THOMAS ROWE Development Assistant

Working closely with the development team, Thomas brings his prior experience working on community based real estate projects to SCDC. Thomas supports the development team in a variety of ways including the preparation of applications, reports and proposals. Thomas holds a Bachelor of Commerce from the University of British Columbia.

12 JULIA ERRIDGE Administrative Assistant

Julia provides support to both the Development and Accounting teams and strives to have the office operating smoothly. Julia holds a Bachelor of Arts in Psychology from Kwantlen Polytechnic University and is currently working towards her Diploma of Urban Land Economics from the University of British Columbia.

About SCDC

SCDC celebrated our ten year anniversary in 2017, and we are proud to have been part of realizing and advancing the transformation of the City of Surrey into the modern, vibrant, sustainable and complete community it is becoming. Through its real estate development activities, SCDC enables the City to achieve strategic community objectives by optimizing the use and value of city-owned lands, leveraging civic facilities, and encouraging high quality private sector development in Surrey. Through community relationships, SCDC aims to serve as a catalyst in creating a city which provides a wide range of high-value jobs, services, educational opportunities, along with housing options for Surrey's growing labour force.

SCDC operates under the business practices consistent with a private sector organization. This includes having an expert, non-political Board of Independent Directors. Our Board is comprised of respected, private sector professionals with experience in diverse aspects of real estate,

urban development and finance, as well as two City-appointed Directors. The Board reports to the Shareholder, which is the City of Surrey. Since incorporation, SCDC has repaid all its operating loans from the City of Surrey and is into its sixth year of paying an annual dividend of \$4.5 million to the City. In addition, SCDC's efforts support the social, cultural, community and environmental objectives of the City.

The City is not involved in the day-to-day management of SCDC. Rather, it has indirect control as the sole Shareholder through a Partnering Agreement outlining the Company's directives and authorities. By virtue of the Partnering Agreement, SCDC aligns its goals with the City of Surrey.



Strategic Imperatives for the Next Ten Years

In developing the Strategic Plan, three strategic imperatives have been identified as the focus for SCDC over the next ten years as follows:

1. Develop an extensive knowledge of Surrey

The first Strategic Imperative is for SCDC to become the preeminent expert on real estate development within the City of Surrey. This expertise will hone SCDC's ability to identify and execute real estate development opportunities within Surrey and will brand SCDC as a knowledgeable and attractive partner for other landowners and developers looking to partner on real estate projects in Surrey.

2. Grow portfolio of income property and focus activity on primary development areas in the City

In order to build-up a sustainable income stream, SCDC needs to increase our revenue property portfolio over the next ten years. This will be done primarily through partial retention of our development projects, although the strategic acquisition of existing income properties will be considered as opportunity and funding allows.

SCDC will focus on the areas of the city where the corporation's development activities can have the greatest impact. Three priorities have been identified for SCDC to focus on; the City Centre, the new LRT corridor, and industrial development.

3. Build a strong and sustainable organization

For SCDC to be most effective in fulfilling its Mission and Vision, its knowledge of Surrey must be closely aligned with greater financial independence generated by increased recurring rental income and, as importantly, its abilities as a real estate development organization. Not only will this lead to better financial performance and building outcomes, but it will make SCDC a knowledgeable and attractive partner for other landowners and developers looking to partner on real estate projects throughout Surrey.

Looking Forward

The vision of SCDC for its second decade is to undertake ten significantly scaled and catalytic projects that will positively impact the City financially, socially, economically, environmentally and aesthetically. SCDC has made a conscious commitment to instigate and create developments that encompass our broader obligation to society and the environment.

The City of Surrey is the fastest growing and geographically largest municipality within Metro Vancouver. With almost 1,000 people a month moving into the City, all sectors of the real estate market are currently showing significant strength.

While SCDC will continue to consider projects throughout the city, an increased focus will be placed on the city centre and the related new LRT transportation corridors. The exception is industrial development activity that will be pursued city-wide.

While SCDC will be placing an increased emphasis on development activity that results in the creation of a rental income property portfolio, sales revenue will still make up a significant portion of overall revenue. This will particularly be the case in the short term to allow SCDC to maintain its annual dividend to the City in support of special initiatives.



Cumulative dividends of \$22.5M have been provided to the City of Surrey to support the budget for special initiatives.





SCDC has brought over 250 acres of industrial land on stream to help create jobs and grow the City's commercial tax base.

Project Portfolio



WHALLEY

Bridgeview Industrial

Grosvenor

Gateway

3 Civic Plaza

Kwantlen Park

SURREY CITY CENTRE

City Centre

Schmidt Berg

Cedar Hills Shopping Centre

Murray Latta

FLEET

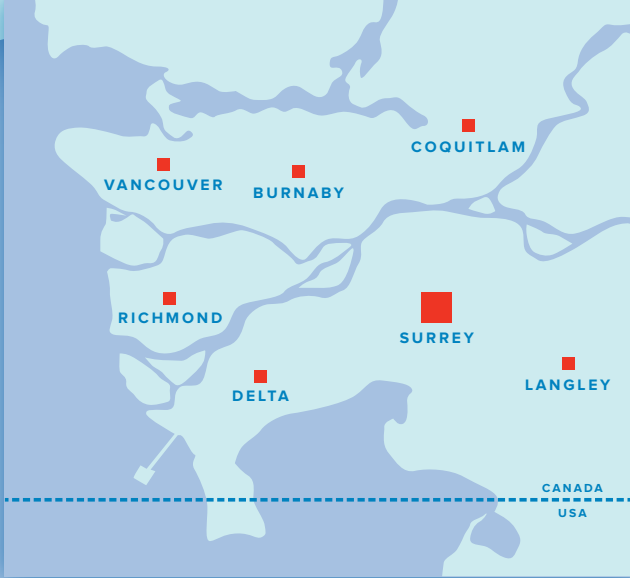
Newton Town Centre

Boundary Park Plaza

NEWTON

Rosemary Gate

Bakerview





Past Projects

Current Projects

Future Projects

GUILDFORD

Tynehead

1

88 AVE.

15

WOOD

80 AVE

FRASER HWY

72 AVE

The Grove

CLOVERDALE

10

Cloverdale West Village

10

56 AVE

192 ST

SOUTH SURREY

Campbell Heights North

Southpoint 99

Campbell Heights East

24 AVE

99

15

16 AVE

Brooksdale

WHITE ROCK

8 AVE



3 Civic Plaza

One of SCDC's most ambitious city building projects, 3 Civic Plaza neared completion in 2017. This 518,202 sqft mixed-use project will house a combination of a hotel, office space and residential units. At 52 stories, it will be the tallest structure south of the Fraser River, marking Surrey City Centre's place as the second downtown for Metro Vancouver. The design of the tower was carefully considered to complement the new City Hall and City Centre Library, the original anchors of the Civic Centre. The impact of 3 Civic Plaza, however, will be far more than just physical as the various activities housed in the complex will animate the Civic Centre 24/7. Particularly exciting will be the introduction of Kwantlen Polytechnic University who will be moving into the office component of the complex in 2018. The 144 room Civic Hotel, that will be a part of the Marriott Hotel's Autograph Collection of hotels, will contain a restaurant that looks out onto the plaza as well as a compliment of meeting rooms and other food and beverage services.

3 Civic Plaza is a great example of the value that SCDC brings to the City of Surrey. Because of SCDC's unique position we were able to partner with the private sector to create an ambitious development that will accelerate the positive growth of the city in a way that neither the city nor the private sector could do on their own. In the case of this project, a collaboration and partnership was formed with Century Group. Century Group is a real estate development and property management company committed to building community. In business for more than 50 years, Century Group's vision is to create beautiful, sustainable buildings, public spaces and neighbourhoods where people can access jobs, transportation and local amenities is well aligned with SCDC.



Campbell Heights North

One of SCDC's early and ongoing initiatives is the development of the industrial lands in Campbell Heights in the southeastern end of the city. These lands are well positioned close to major transportation routes and the US Border. This development involves the master planning, rezoning, subdivision and servicing of around 250 acres of much needed new industrial lands. The importance of this economically to both the City and the region as a whole cannot be overstated. As an example, critical shortages of industrial land in the region has been identified as a threat to their future by the Port of Vancouver, our region's largest economic driver. Therefore, the creation of a large new industrial development like Campbell Heights North is tremendously important. Furthermore, this development is highly beneficial to the City of Surrey as it also significantly increases opportunities for local jobs and helps build the City's commercial tax base.

SCDC's work in Campbell Heights has brought numerous leading industrial enterprises including Starline Windows, Weir Canada Inc. and Garaventa Lift as long-term investors in Surrey's economy. Their commitment to Surrey adds solidly to economic and social growth, and brings vitality and high-value jobs to these formerly vacant lands.

2017 saw the completion of servicing for the Campbell Heights North phase of this development which is now, with the exception of two lots that have been retained by SCDC, fully sold. The majority of land sales have been to owner-occupiers who are seeking to either expand their business and/or realize the benefits of the development's strategic location.



Weir Facility

SCDC partnered with Beedie Development Group to develop a 114,000 sqft custom-built facility for Weir Canada Inc. (Weir) on a 5.9 acre site in Phase 3 of Campbell Heights North.

The development was designed to house engineering services and the manufacturing of state-of-the-art resource processing equipment for clientele throughout the world. Weir's 20-year commitment to Campbell Heights North illustrates the rise in business and economic development in Surrey, which is aligned with one of SCDC's mandates to attract skilled and high-value jobs to the City.

Beedie Development Group has been a truly excellent partner to SCDC and is one of the largest privately held real estate development companies in western Canada. Established in 1954, Beedie Development Group is a fully integrated developer, builder and owner of real estate in all categories including industrial, commercial, residential and mixed use, primarily in BC, but with interests across Canada.



Surrey City Centre

Bakerview

SCDC is exploring opportunities to develop a mixed-use high-rise project that would include residential units, retail and possibly community uses in the heart of the Semiahmoo Town Centre. Bakerview Centre is located on 19th Avenue, just east of 152nd Street.

Brooksdale

This magnificent site nestled in a natural setting in South Surrey will be an opportunity to set the bar on ecologically sensitive sustainable design. A portion of the site falls within the City's Biodiversity Conservation Strategy and will be preserved as habitat lands. The 58 acres is located on the northeast corner of 16th Avenue and 192nd Street and borders the A Rocha Canada stewardship lands.

Bosa LP

Bosa Properties Inc and SCDC have partnered together to develop a mixed-use high-rise site located in Surrey City Centre. This site is centrally located northeast of City Hall on 104th Avenue and City Parkway.



Cedar Hills Shopping Centre

Cedar Hills Shopping Centre is a 55,000 sqft high traffic shopping centre located in Surrey's northwest sector at 96th Avenue and 128th Street. Purchased as a revenue property, the Centre is shadow anchored by a No Frills grocery store. Major tenants include Shoppers Drug Mart, Starbucks, Anytime Fitness and VanCity.



Cloverdale West Village

Cloverdale West Village is in the heart of Cloverdale. This property was formerly the Cloverdale Plaza Mall; a community shopping centre anchored by grocery store with several small Commercial Retail Units including a drycleaner. The property had significant contamination issues and required remediation. SCDC successfully remediated the site, allowing for future residential neighbourhood developments to move forward.

A local developer has constructed a 97 unit rental apartment on one portion of the property, with the remainder being sold in 2017 to facilitate the construction of a new townhome complex which is now underway.

Management's Discussion & Analysis

With an Annual Surplus from Operations of \$9.2M fiscal 2017 was another profitable year for SCDC. The main factors contributing to the financial success in 2017 were a strong market for industrial lands and healthy returns on SCDC's income properties portfolio. 2017 financial results came in slightly below the budgeted surplus of \$10.6M due to the delays in the 3 Civic Plaza project which is now slated for completion in 2018.

Strong financial results enabled the Corporation to pay down significant levels of debt, invest in a significant piece of industrial land in Campbell Heights East and pay a \$4.5M dividend to the City of Surrey. Cumulatively, since 2013, \$22.5M of dividends have been paid to the City of Surrey.

The book value of SCDC's tangible capital assets as at December 31st 2017 was \$108M comprised of:

- Properties under development of \$87.0M,
- Income producing properties of \$20.9M, and
- Administrative assets of \$0.1M.

In accordance with generally accepted accounting principles tangible capital assets are recorded at cost on the summarized financial statements which does not represent the fair market value of those assets. (See Note 6 to the Summarized Consolidated Financial Statements).

FINANCIAL PERFORMANCE – 2017

Highlights from the 2017 Consolidated Statement of Operations include the following:

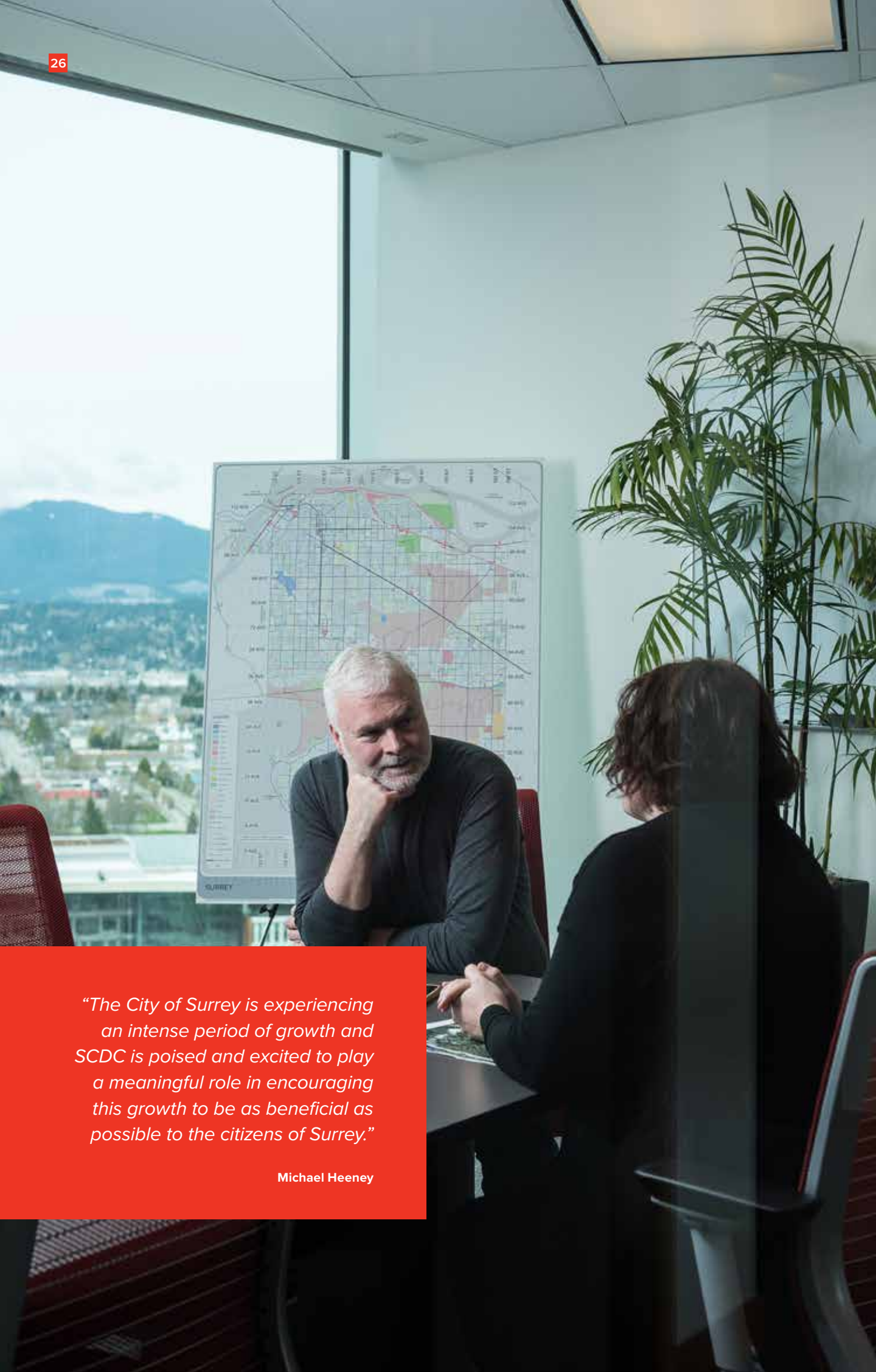
- Net development property sales income increased 8% from \$9.5M in 2016 to \$10.2M in 2017 and represents profits from the sale of industrial lands in Campbell Heights North and two lots in Cloverdale West Village.
- SCDC did not sell any income properties during 2017 as the Corporation's strategic plan is to build a portfolio of properties that generate an on-going source of profits (2016 net gain on sale of income properties was \$12.1M).
- Property lease income increased \$146K from \$101K in 2016 to \$247K in 2017 as SCDC's income properties became more established.
- Income from government business partnership represents the net profit from the Beedie SCDC (34A Ave) Limited Partnership which is accounted for under the modified equity method of accounting (see Note 2 to the Summarized Consolidated Financial Statements).
- Consolidated corporate operating expenses decreased 13% overall to those in 2016 due to savings in Research and Investigation.
- Overall, the 2017 Annual Surplus from Operations was \$9.2M which was used to pay a dividend of \$4.5M to the City of Surrey.

Profits from operations in 2017 helped to strengthen SCDC's Consolidated Statement of Financial Position:

- Financial Assets increased \$3.5M, from \$6.7M in 2016 to \$10.2M in 2017, due to cash generated from the sale of development lands, some of which was invested in short term investments.
- Liabilities decreased from \$73.4M in 2016 to \$58.0M in 2017, a decrease of \$15.4M, primarily due to a reduction in amounts owing to the City of Surrey as a result of property sales. Amounts owing to the City of Surrey bear interest at market rates (see Notes 4 and 5 to the Summarized Consolidated Financial Statements).
- Net Debt, which represents the difference between Financial Assets and Liabilities, decreased from \$66.7M in 2016 to \$47.8M in 2017 as a result of the disposition of various properties. As described in Note 6 to the Summarized Consolidated Financial Statements, the calculation of Net Debt excludes the value of Tangible Capital Assets.
- Non-Financial Assets increased from \$97.6M in 2016 to \$108.0M in 2017 as development work continued on properties under development.
- Accumulated Surplus as at December 31, 2017 sits at \$60.2M as compared to \$30.9M as at December 31, 2016. As shown in Note 7 to the Summarized Financial Statements, Accumulated Surplus increased during 2017 as a result of profitable operations and due to the issuance of preferred shares.



Successful joint venture partnerships with existing developers including Townline, Beedie, Century, and Bosa Properties.



“The City of Surrey is experiencing an intense period of growth and SCDC is poised and excited to play a meaningful role in encouraging this growth to be as beneficial as possible to the citizens of Surrey.”

Michael Heeney

Financial Performance

Management and Board Responsibilities for Reporting

The 2017 Annual Report, including the summarized consolidated financial statements, was prepared by the management of Surrey City Development Corporation (“SCDC”). These summarized statements are based on complete consolidated financial statements prepared in accordance with the Canadian public sector accounting standards, and the integrity and objectivity of these statements are management’s responsibility. Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The summarized consolidated financial statements do not contain all the disclosures required by Canadian public sector accounting standards and readers are cautioned these statements may not be appropriate for their specific purposes. Management considers that the basis of presentation is appropriate to summarize financial information for inclusion in the annual report. The complete consolidated financial statements including Auditors’ Report are available on request.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. Internal financial reports are reviewed on a quarterly basis and externally audited financial statements are reviewed annually. The Board of Directors has approved this Annual Report.

The external auditors, BDO, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the statements. The external auditors have full and free access to financial management of SCDC and meet when required. BDO’s report on the summarized consolidated financial statements appears herein.

On behalf of SCDC



MICHAEL HEENEY
President & CEO



EMILY TAYLOR
Chief Financial Officer



KAM GREWAL
Chair of the Board

Report of the Independent Auditor on the Summarized Consolidated Financial Statements

To the Shareholder of Surrey City Development Corporation

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2017, the summarized consolidated statement of operations, the summarized consolidated statement of changes in net debt and the summarized consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Surrey City Development Corporation for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 11, 2018. Those consolidated financial statements, and the summarized consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those audited consolidated financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by Canadian public sector accounting standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Surrey City Development Corporation.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of the summary of the audited consolidated financial statements in accordance with the basis described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Audit Standard (CAS) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of Surrey City Development Corporation for the year ended December 31, 2017 are a fair summary of those consolidated financial statements, in accordance with the basis described in Note 1.

BDO Canada LLP

Chartered Professional Accountants
June 21, 2018
Vancouver, Canada



BDO Canada LLP
600 Cathedral Place
925 West Georgia
Vancouver BC V6C 3L2
Canada

Tel: 604 688 5421
Fax: 604 688 5132

www.bdo.ca

SCDC

Summarized Consolidated Statement of Financial Position As at December 31, 2017, with comparative figures for 2016

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 509,755	\$ 3,826,759
Due from governments	704,105	1,465,763
Due from partners	924,629	82,167
Investment in government business partnership (Note 2)	373,606	–
Accounts receivable	267,873	771,752
Straight-line rent receivable	–	32,981
Short term and portfolio investments	7,303,523	303,498
Performance bonds and deposits	30,000	181,201
Tenant inducements	40,428	9,036
	10,153,919	6,673,157
LIABILITIES		
Accounts payable and accrued liabilities	2,920,285	3,258,956
Due to governments (Note 3)	1,004,695	–
Loans payable	32,078,624	33,569,284
Deposits	4,531,387	5,514,687
Deferred gains	4,220,601	3,957,409
Due to partners	3,668,421	4,120,875
Due to City of Surrey – interim project financing (Note 4)	3,498,262	2,600,584
Due to City of Surrey – promissory notes (Note 5)	6,059,160	20,360,371
	57,981,435	73,382,166
NET DEBT (Note 6)	(47,827,516)	(66,709,009)
NON-FINANCIAL ASSETS		
Tangible capital assets	107,917,563	97,275,561
Prepaid expenses	64,931	357,304
	107,982,494	97,632,865
ACCUMULATED SURPLUS (Note 7)	\$ 60,154,978	\$ 30,923,856

See accompanying notes to summarized consolidated financial statements.

SCDC

Summarized Consolidated Statement of Operations

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

	BUDGET 2017	2017	2016
PROPERTY AND OTHER INCOME, NET			
Development property sales income, net	\$ 12,024,108	\$ 10,240,655	\$ 9,472,260
Gain on sale of income properties, net	–	–	12,150,356
Property lease income, net	271,222	247,489	101,273
Income from government business partnership (Note 2)	263,014	267,824	–
Other income	–	256,712	58,898
Write-off of development costs	–	–	(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 summarized consolidated financial statements.

SCDC

Summarized Consolidated Statement of Changes in Net Debt Year ended December 31, 2017, with comparative figures for 2016

	BUDGET 2017	2017	2016
ANNUAL SURPLUS	\$ 18,345,844	\$ 29,231,122	\$ 12,806,609
Acquisition of tangible capital assets	(87,735,860)	(45,082,072)	(23,643,003)
Disposal of tangible capital assets	528,000	–	146,985
Amortization of tangible capital assets	872,210	312,464	514,576
Capitalization of wages	(1,306,200)	(919,527)	(871,859)
Write-off of development costs	–	–	903,227
	(87,641,850)	(45,689,135)	(22,950,074)
Transfer to properties held-for-sale	78,439,000	25,368,401	15,628,614
Transfer to investment in government business partnership	–	9,678,732	–
Change in prepaid assets	(45,000)	292,373	(122,143)
	78,394,000	35,339,506	15,506,471
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 (Note 6)	\$ (57,611,015)	\$(47,827,516)	\$ (66,709,009)

See accompanying notes to summarized consolidated financial statements.

SCDC

Summarized Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative figures 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) of 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)
Change 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)
Net change in cash from operating activities	881,247	1,633,575
CAPITAL		
Purchase of tangible capital assets	(13,002,598)	(28,908,114)
INVESTING		
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
Net change in cash from investing activities	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)
Net change in cash from financing activities	(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

SCDC

Summarized Consolidated Statement of Cash Flows, Continued

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

	2017	2016
SUPPLEMENTARY CASH FLOW INFORMATION:		
Non-cash transactions:		
Land transfers in exchange for preferred shares	\$25,482,000	\$ –

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

1. Summarized consolidated financial statements:

The summarized consolidated financial statements are derived from the audited complete consolidated financial statements and notes, prepared in accordance with Canadian PSAS established by the Canadian Public Sector Accounting Board, as at and for the year ended December 31, 2017. Those audited complete consolidated financial statements were approved by the Board of Directors on April 11, 2018, and are available on request.

The preparation of these summarized consolidated financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with, or represent a fair summary of, the audited consolidated financial statements.

The summarized consolidated financial statements were prepared by management based on the following criteria:

To fairly summarize financial information, extracted from the audited complete financial statements, for inclusion in the 2017 Annual Report, which provides the public with relevant information on the financial performance of SCDC.

- a. the summarized consolidated financial statements include a statement for each statement included in the audited consolidated financial statements;*
- b. information in the summarized consolidated financial statements agrees with the related information in the audited consolidated financial statements;*
- c. major subtotals, totals and comparative information from the audited consolidated financial statements are included; and*
- d. the summarized consolidated financial statements contain the information from the audited consolidated financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized consolidated financial statements.*

2. Investment in government business partnership:

In 2017 the Beedie SCDC (34A Ave) LP met the criteria of a government business partnership and results are accounted for under the modified equity method. Under the modified equity method the Corporation's share of net assets are reflected in a single line item on the Statement of Financial Position and the Corporation's share of net profits are reflected in a single line item on the Statement of Operations.

In 2016 the Beedie SCDC (34A Ave) LP was considered to be a government partnership and results were proportionately consolidated with those of the Corporation based on the Corporation's partnership interest of 50%.

3. 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.

4. Due to City of Surrey – interim project financing:

Interim project financing is provided by the City of Surrey to fund development projects in progress and bears interest at market rates. Funds are repaid to the City upon the sale of development projects or as external financing becomes available.

5. Due to City of Surrey – promissory notes:

Promissory notes are exchanged for land when the City of Surrey expends funds on behalf of SCDC to purchase the associated lands. The promissory notes bear interest at the Municipal Finance Authority of BC's 10-year lending rate. Promissory notes are repaid to the City on a monthly basis and upon the sale of the development projects they relate to. The issuance of debt results in an increase in Net Debt, with the offsetting asset included in tangible capital assets, reported below the net debt line.

6. Net Debt:

Consistent with Public Sector Accounting Standards (PSAS) real estate assets are included in one of two categories on the Consolidated Statement of Financial Position:

1. Where investment has been made towards the development of a City-owned property, costs are classified as "Due from governments".
2. Income properties, properties-under-development and administrative assets are classified as "Tangible capital assets".
 - Income properties represent the cost of properties held with the expectation of earning rental income and include retail or commercial space that the Corporation leases to third parties. Income properties are recorded at cost less accumulated amortization.
 - 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 assets 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.
 - Administrative assets include assets required by the Corporation to operate and manage overhead and administrative activities and include computer equipment and software, furniture and fixtures, tenant improvements and other related assets. Administrative assets are amortized on a straight-line basis over their estimated useful lives.

Under PSAS "Due from governments" are considered to be Financial assets. Tangible capital assets are considered to be Non-financial assets.

The calculation of Net Debt under PSAS represents the difference between Financial assets and liabilities. Tangible capital assets are therefore specifically excluded in the calculation of Net Debt. Further, Financial assets are recorded at cost and do not represent the potential market value of those properties.

7. Accumulated surplus:

Accumulated surplus is comprised of:

	2017		2016	
Share capital, common shares	\$	100	\$	100
Share capital, preferred shares		28,423,000		3,844,700
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)
	\$	60,154,978	\$	30,923,856

Thank You



As we look back over SCDC's first ten years, there is clearly much to be proud of. In a relatively short time, SCDC has already created a positive financial, economic and social legacy for the City of Surrey.

The future outlook is even more positive. Building on the strong foundation created by SCDC over the past ten years and with continued strong support from our shareholder, the City of Surrey, the next ten years will be even brighter. SCDC is incredibly proud of what Surrey has accomplished and remains committed to positively impacting this extraordinary city in the years to come.

We welcome your questions and comments. Please feel free to send an email to info@scdc.ca, call **604-581-8787**, or visit www.scdc.ca if you would like to learn more about us.



Surrey City Development Corporation
1870 – 13450 102 Avenue
Surrey, BC V3T 5X3
Tel. 604.581.8787
Fax. 604.582.9379

www.scdc.ca

