BC Housing

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018

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Twitter: https://twitter.com/BC_Housing

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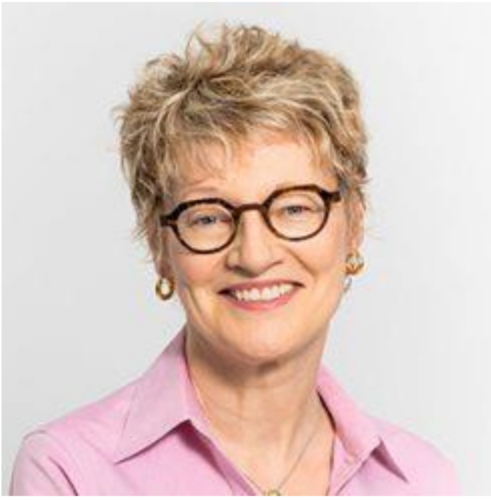
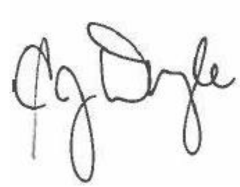
Board Chair's Accountability Statement



The *BC Housing 2017/18 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2017/18 - 2019/20 Service Plan* created in September 2017. I am accountable for those results as reported.



Cassie J. Doyle
Board Chair

Table of Contents

Chair/CEO Report Letter

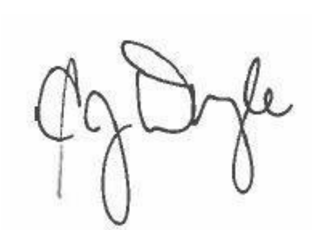
We are pleased to submit the BC Housing 2017/18 Annual Service Plan Report. The results described in this report were established in the 2017/18 – 2019/20 Service Plan Update and align with our September 2017/18 Mandate Letter. BC Housing's performance supports the provincial government's three key commitments to British Columbians to make life more affordable, to deliver the services that people count on, and to build a strong, sustainable innovative economy that works for everyone. Our performance measures were developed in collaboration with the ministry responsible and are also aligned with BC Housing's organizational goals and objectives.

Since September 2017 BC Housing has made the following achievements with respect to our Mandate Letter:

- Implemented the modular supportive housing program for individuals experiencing homelessness or at risk of homelessness, and the Affordable Rental Housing initiative to create new affordable housing projects for families and seniors.
- Initiated the HousingHub office. This new area at BC Housing will promote, facilitate and coordinate housing partnerships to create affordable rental and homeownership opportunities across the province.
- Worked with federal, provincial and territorial colleagues to develop the National Housing Strategy and multilateral housing partnership framework.
- Coordinated research and resources that will contribute towards the development of the Homelessness Action Plan, including facilitating homeless counts in communities across the province.

BC Housing's senior leadership engages with the ministry responsible on an ongoing basis and through quarterly accountability meetings with the Deputy Minister and Assistant Deputy Minister where performance results are monitored.

In 2017/18, BC Housing welcomed three new Commissioners to our board. BC Housing's orientation program for new Commissioners supports them in becoming familiar with BC Housing's mandate, finances, programs and governance oversight responsibilities. Board members also participated in learning and development opportunities including ongoing offerings provided by the Institute of Corporate Directors as well as public forums related to challenges and solutions to address housing affordability issues in communities across the province.



Cassie J. Doyle
Board Chair

Shayne Ramsay
Chief Executive Officer

Purpose of the Organization

BC Housing was created in 1967 through an Order-in-Council under the *Ministry of Lands, Parks and Housing Act* to deliver on the provincial government's commitment to the development, management and administration of housing. Under the *Homeowner Protection Act*, BC Housing also has responsibilities related to licensing of residential builders, administering owner builder authorizations, overseeing home warranty insurance, and carrying out research and education to improve the quality of residential construction and consumer protection. BC Housing has a Board of Commissioners that is responsible for corporate governance, and an organizational structure with six branches. Additional information such as our mandate, mission, vision, and values can be found on the BC Housing website.

In 2017/18, BC Housing assisted 107,205 households in 298 communities across the province through a range of programs, initiatives and partnerships. Assistance ranges from emergency shelter and homeless outreach, transition houses, safe homes and second stage housing, independent and supportive social housing, rent assistance in the private market, home adaptations for seniors and persons with disabilities, as well as help for first time homeowners. BC Housing worked in partnership with the non-profit sector to deliver most of these programs. Additionally, approximately 7,600 residential builders were licensed, 1,200 owner builders were authorized, and 34,800 new homes were enrolled in home warranty insurance through third-party home warranty insurance providers.

Strategic Direction and Operating Environment

BC Housing's strategic direction for 2017/18 was aligned with the September 2017/18 Mandate Letter from the Minister of Municipal Affairs and Housing and the 2017/18 – 2019/20 Service Plan released in September 2017. New program initiatives were launched to support the provincial government's three key commitments: to make life more affordable, deliver services that people count on, and build a strong, sustainable, innovative economy that works for everyone.

In this regard, several changes occurred within BC Housing's operating environment, providing a positive impact on 2017/18 performance results. Most significantly, *Budget 2017 Update* provided new provincial government funding commitments for the implementation of two new initiatives to: create 2,000 modular supportive housing units for the homelessness under the *Rapid Response to Homelessness* program, and create 1,700 affordable and low-end of market rental units under the *Affordable Rental Housing* program. These initiatives enabled BC Housing to begin to respond to the most serious housing affordability challenges in communities across the province and to contribute to the government's commitment to build 114,000 units of affordable housing in partnership over 10 years.

Over the course of the year a range of responses and mitigation strategies were implemented to address new and existing challenges.

- An increase in the number of people experiencing homelessness continued to give rise to several tent city situations. In response, BC Housing worked with local governments and other partners to provide emergency shelters and supportive housing options with on-site supports. To mitigate or address neighbourhood concerns, BC Housing delivered a variety of community engagement events such as open houses and public information sessions to help build awareness and acceptance and listen to community concerns.

- British Columbia experienced continued pressure on housing affordability, especially for low- to medium-income households in the major urban centres. BC Housing began implementation of new provincially-funded programs and reached out to new partners, including local governments, First Nations and community organizations, to deliver on the government's commitment to create 114,000 new units of affordable housing in partnership over the next ten years.
- Cost pressures related to new housing development and construction continued to escalate, e.g., costs of building materials, transportation and skilled trades. Responses and mitigation strategies were put in place to manage rising costs for new projects.
- BC Housing also took steps to understand and integrate the United Nations Declaration on the Rights of Indigenous Peoples, and the Calls to Action of the Truth and Reconciliation Commission, into our operations and business practices. In addition, in keeping with the Tsilhqot'in Aboriginal Title case, BC Housing continued to respect consultation and accommodation requirements with First Nations for Provincial Rental Housing Corporation properties in traditional territories.
- The potential for losing affordable housing stock due to expiring social housing operating agreements and aging of the stock continues to be a risk. A range of responses are in place including program reform, joint initiatives with the BC Non-Profit Housing Association, ongoing and major new financial investment in the capital renewal of the social housing stock, and engagement with the federal government which will result in federal funding into social housing as part of the National Housing Strategy.
- Operational efficiency and performance risks were addressed through our Human Resources' *People Strategy* including monitoring of employee engagement and workload requirements related to the development and launch of new affordable housing programs over the fiscal year. In addition, BC Housing's governance and oversight review was commenced which, once completed, will also provide recommendations in this area.
- Risks and opportunities associated with implementing the enhanced licensing system for home builders and new owner builder exam requirements under the *Homeowner Protection Act* continue to be monitored to ensure clients and stakeholders are aware of new requirements, and able to access education and training resources needed to achieve a high bar of professionalism.
- Health and safety risks for tenants, employees, housing providers and contractors related to the size, age and diversity of the social housing stock continued to be managed through several programs, e.g., risk management related to fire events and seismic activity, as well as asbestos management, with dedicated staff resources and partnerships with sector organizations.

Report on Performance

Goals, Strategies, Measures and Targets

Goal 1: Support the Building of Affordable Social and Market Housing.

BC Housing responds to needs along the housing continuum by expanding the range of housing choices and supports for British Columbians through collaboration with our non-profit, community, faith groups, government and private sector partners. In 2017/18 we implemented the priorities outlined in the September 2017 Mandate Letter and worked on the provincial government's commitment to increase housing supply, create new student housing and address homelessness. We also continued to deliver a range of programs to support people across the housing continuum: emergency shelter and housing for the homeless, transitional supportive and assisted living, independent social housing, rent assistance in the private market, support for first time homebuyers, and consumer protections for buyers of new homes. Our programs also support housing accessibility for people with disabilities and housing and services for women fleeing violence or at risk of violence.

Objective 1.1 Increase housing options

Strategies

1. Worked with the Ministry of Municipal Affairs and Housing to:
   - Partner with local governments, the federal government, and the private and non-profit sectors to begin work that supports the building of 114,000 units of affordable market rental, non-profit, co-op, supported social housing and owner-purchased housing;
   - Support the development of a homelessness action plan; and
   - Support the development of a plan to create new student housing at universities and colleges.
2. Continued to implement programs to break the cycle of homelessness including the *Emergency Shelter, Homeless Outreach and the Homeless Prevention* programs.
3. Provided financial assistance to low-income seniors and working families in the private market through *Shelter Aid for Elderly Renters and Rental Assistance* programs.
4. Supported women (with or without dependent children) who have experienced violence or are at risk of experiencing violence through the *Transition Houses, Safe Homes and Second Stage Housing* programs.
5. Supported first time homebuyers and worked with partnering ministries to review the *BC Home Owner Mortgage and Equity (HOME) Partnership* program.
6. Improved the physical accessibility of homes for low-income seniors and persons with disabilities through the *Home Adaptations for Independence* program.

Performance Measure 1.1: Number of new units/beds created for priority groups.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Number of new units/beds created for priority groups	1,764	2,004	3,421	2,996	3,538	2,958

Data Source: BC Housing's data systems that track progress of new units created.

Discussion

This measure describes our performance in creating new units for low- and medium- income individuals and families, including seniors, youth, Indigenous households, people with physical and mental disabilities, as well as individuals experiencing homelessness.

Targets are based on the completion of new units being created under existing development programs and reflect planned program funding levels and new initiatives, including the delivery of modular units of supportive housing. The targets reflect units to be created through provincial commitments supporting the acquisition and construction of affordable housing projects.

In 2017/18 we created 2,996 new units in 35 communities across the province. New units were created through various programs including: 615 units under the *Community Partnership Initiatives*, 355 units through the combined Canada/BC *Investment in Affordable Housing* and *Social Infrastructure Funding* programs,133 units under *Provincial Investment in Affordable Housing*, 480 units through the *Housing Priority Initiatives* program, 78 units under the *Rapid Response to Homelessness* program, 71 units under the *Affordable Rental Housing* program, 48 beds for group homes, and 1,216 units under various other programs (including 39 units for women fleeing violence).

In total 2,418 of the units were newly constructed through our development programs, and 578 represent a combination of rent supplements and units made available for vulnerable populations within existing purchased buildings.

Attaining the 2017/18 target was dependent on the complexity of the development process and industry trends such as interest rates, construction costs, labour availability and other factors. The lower 2017/18 result was also largely dependent upon the availability of construction-ready municipal land, particularly for the modular supportive housing units under the *Rapid Response for Homelessness* program that was launched in September 2017. Municipal processes and take-up for the *Rapid Response to Homelessness* program were not aligned with the timeframe to achieve the updated target by March 31, 2018. BC Housing continues to work with municipalities and communities to deliver modular supportive housing projects.

In the 2018/19 – 2020/21 Service Plan this goal has been revised to "create safe, affordable and functional housing for British Columbians."

Objective 1.2 Promote consumer protections and compliance with the *Homeowner Protection Act*

Strategies

1. Administered consumer protection measures for buyers of new homes through an enhanced builder licensing system.
2. Improved online information services to support clients and partners more effectively.

Performance Measure 1.2: Builder's rating of the effectiveness of compliance efforts to monitor and enforce licensing and home warranty insurance.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Builder's rating of the effectiveness of compliance efforts to monitor and enforce licensing and home warranty insurance	84%	85%	80% or higher	87%	80% or higher	80% or higher

Data Source: Obtained through a survey carried out by a third-party survey research firm. Prior to 2014/15 the survey was conducted through online and mailed out surveys. From 2014/15 onwards, the results are based on an online survey only. The 2017/18 survey was sent to 6,309 builders with 1,526 responding, for a response rate of 24 percent, a one percent increase from last year. Survey results for 2016/17 have a confidence level of 95 percent with a margin of error of +/-2 percent.

Discussion

This is a measure of the overall health of the builder licensing, home warranty insurance and owner-builder authorization system, whereby compliance issues are dealt with quickly and effectively by the Licensing and Consumer Services branch. Assessment of performance is best done by industry participants (licensed residential builders) that operate their businesses within the regulatory framework. Targets are based on past trends, recognition that reducing instances of non-compliance continues to be seen as an area for business improvement, and strategic initiatives underway to enhance compliance efforts each year over the three-year service planning period.

The 2017/18 survey results are higher than 2016/17 with 87 percent of builders who responded to the survey felt that the effectiveness of the compliance efforts was "very effective" or "effective". This result exceeds the target of 80 percent.

Goal 2: Support a Strong Non-Profit Housing Sector.

BC Housing supports a strong non-profit housing sector through relationship-building, collaboration and capacity-building initiatives in partnership with housing providers, the BC Non-Profit Housing Association and other organizations involved in the non-profit housing sector. We share a common purpose with non-profit housing providers to provide stable, safe and affordable housing. Together we work toward ensuring the sustainability of the sector and provision of social housing over the long-term. We will also continue to work with the sector to address the provincial government's commitment to make life more affordable and begin work to support the building of more affordable housing.

Objective 2.1 Collaborate with our non-profit housing partners to ensure long-term provision of social housing

Strategies

1. Completed the *Non-Profit Asset Transfer* program by transferring, where appropriate, Provincial Rental Housing Corporation (PRHC) properties to non-profit housing providers, including PRHC-leased land in social housing projects and select public housing stock.
2. Worked with the BC Non-Profit Housing Association to:
    a. Initiate education and training sessions on various topics for housing providers.
    b. Assist housing providers to prepare for the expiry of operating agreements.
3. Identified opportunities within BC Housing's operational review process to help housing providers improve financial, operating and governance practices to ensure housing providers have the tools needed to deliver on BC Housing's objectives and government's priorities.
4. Reformed existing social housing operating agreements and programs to provide greater flexibilities and tools for non-profit housing providers to support long-term sustainability.

Performance Measure 2.1: Non-Profit Housing Provider Financial Reviews.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Percentage of non-profit housing provider reviews carried out by BC Housing within five months from date of submission	n/a	52%	55%	70%	60%	65%

Data Source: This measure is gathered by BC Housing as part of the operational review process with housing providers. This was a new measure introduced in the 2016/17-2018/19 Service Plan to replace the former measure, "Increase in the percentage of housing providers with fewer indicators for follow-up after an operational review."

Discussion

A timely financial review process enables housing providers to know with accuracy what their budget will be for the year ahead, and helps to avoid situations of subsidy overpayments or underpayments which must be later addressed. It also relies on establishing good relations and communications with non-profit housing partners. Targets demonstrate improvement over the current baseline level of 52 percent of financial reviews carried out within five months.

In 2017/18, we exceeded the target by 15 percent due to improved processes, with 70 percent of the financial reviews completed within the five-month timeframe.

Objective 2.2 Adequate provisions for future requirements for the social housing stock

Strategies

1. Provided funding for the maintenance and rehabilitation of existing social housing.

Performance Measure 2.2: Facility Condition Index.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Facility Condition Index	9%*	18%	17% to 22%	19%	17% to 22%	17% to 22%

Data Source: Physical building condition assessments of building systems, sub-systems and components are tracked by BC Housing and used to calculate the Facility Condition Index (FCI). This index quantifies the physical condition of the social housing stock. The calculation is the cost of a building's renewal and replacement needs divided by its replacement cost, expressed as a percentage. A lower value indicates a better housing condition.
* Note: the 9% result is based on previous methodology that has been revised since 2015/16. Calculations for subsequent years reflect the current methodology, see discussion below.

Discussion

The Facility Condition Index (FCI) is an indication of the condition of a building – a lower percentage corresponds to a better building condition. The FCI calculation is the cost of a building's renewal and replacement needs divided by its replacement cost, expressed as a percentage. The FCI is used to assist with investment decisions and strategic directions regarding capital planning and rehabilitation budgets for social housing. Without adequate continued investment in the existing social housing stock, the FCI rises over time.

Targets are set to reflect an acceptable service level for buildings and building conditions for tenants. As of March 31, 2018, results indicated a portfolio FCI rating of 19 percent, which is within the targeted range of 17 to 22 percent. The result of 19 percent for the social housing stock consists of:

- 25 percent for the directly managed portfolio, and;
- 18 percent for the non-profit portfolio, which is newer.

This positive performance is due to a few key factors:

- The assessment of approximately 8,969 non-profit units;
- 260 capital renovation projects totaling approximately $53 million investments;
- An increase of 536 new units to the unit count model; and
- Updates to BC Housing's data and systems and collaboration with housing providers, improving the accuracy of calculations.

Goal 3: Enhance Indigenous Partnerships.

BC Housing works with our Indigenous housing partners to enhance partnerships and relationships and increase self-reliance in the sector. This is intended to help address the over representation of

Indigenous peoples within the homeless population and in housing that is not adequate or affordable. Increasingly we are working with First Nations communities, recognizing the benefit of partnerships to help address housing issues on and off reserves. BC Housing works to ensure that the United Nations Declaration on the Rights of Indigenous Peoples and the Calls to Action of the Truth and Reconciliation Commission are incorporated as appropriate into our operations and business practices.

Objective 3.1 Facilitate opportunities that lead to a more self-reliant Indigenous housing sector

Strategies

1. Created more housing options for Indigenous peoples through our programs and partnerships, including increasing the supply of affordable housing units.
2. Helped support improvements to housing conditions on First Nation reserves through partnerships on asset management, capital planning and homeowner education.
3. Leveraged opportunities to promote employment, skills training and business development for Indigenous peoples through the delivery of our programs and business activities.
4. Helped build a strong Indigenous housing sector through a range of initiatives including the *Non-Profit Asset Transfer Program*, existing development programs, support to the Aboriginal Housing Management Association, and partnerships for the delivery of education and training to Indigenous housing provider and First Nations.
5. Provided BC Housing staff with opportunities to gain a stronger understanding of the cultural aspects related to Indigenous partnerships and housing.

Performance Measure 3.1: Progressive Aboriginal Relations (PAR) Certification.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Progressive Aboriginal Relations (PAR) certification	Gold (re-certification year)	Gold	Gold	Gold	Gold (re-certification year)	Gold

Data Source: the Canadian Council for Aboriginal Business.

Discussion

Performance is measured through the Progressive Aboriginal Relations (PAR) Certification, whereby our broad range of initiatives and partnerships with Indigenous organizations are assessed by an independent third-party organization, the Canadian Council for Aboriginal Business. The Canadian Council for Aboriginal Business assesses our commitment to the Indigenous sector in four areas: employment; business development; community investment; and community engagement. Assessment results are certified at a bronze, silver or gold level, depending on how the organization has demonstrated its performance. BC Housing is the only social housing provider in Canada to be certified under the PAR program.

Although the certification process occurs every three years, our work to promote stronger Indigenous partnerships is ongoing. BC Housing's current plans, initiatives and collaboration efforts support the goal of continual improvement each year. The Gold certification result demonstrates BC Housing's active and on-going commitment to supporting the Indigenous housing sector and our Indigenous housing partners. The next certification process will occur again in 2018. Benchmarking is conducted on a national level against other Canadian companies participating in the PAR Certification program.

Goal 4: Leadership in Sustainability and Residential Construction.

This goal brings together two areas where we have significant leadership responsibilities. Through the Licensing and Consumer Services branch, we partner with industry and government partners to initiate technical research and education projects that promote the durability and energy efficiency of new residential construction. Research findings are applicable across both the private and social housing sectors; BC Housing plays an important role in ensuring the dissemination of beneficial findings across sectors such as improving energy performance of multi-unit buildings and providing building enclosure design guidelines. Our technical research and education activities also support provincial priorities related to building codes and standards, such as the new Energy Step Code.

As well, through the *livegreen* Housing Sustainability Plan, we encourage and take a leadership role in promoting sustainability and play an important role in supporting the province's Climate Leadership Plan. Sustainability is promoted within our programs and services and within the broader housing sector. As demonstrated in our Carbon Neutral Action Report, we have made progress in reducing our greenhouse gas emissions and our organizational environment footprint.

Objective 4.1 Environmental leadership in the housing sector

Strategies

1. Promoted energy efficiency and sustainability in the housing created through our programs.
2. Initiated climate change adaptation research and planning with respect to social housing and residential construction.
3. Initiated technical projects in partnership with industry and government related to the quality and sustainability of residential construction.
4. Implemented our *livegreen* Housing Sustainability Plan with a concentration on:
    a. Integration of financial, social and environmental considerations in decision-making;
    b. Innovation in the design, construction and management of housing; and
    c. As a change agent, guiding and supporting others in taking actions towards sustainability.

Performance Measure 4.1: Percent Reduction in Greenhouse Gas Emissions from 2005 levels.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Per cent reduction in greenhouse gas emissions from 2005 levels	Reduction of 33%	Reduction of 31%	Reduction of 20% to 25%	28%	Reduction of 25% to 30%	Reduction of 25% to 30%

Data Source: Provided directly from utility companies and compiled by an external consultant. In accordance with legislative requirements, the targets and results are based on a calendar year, e.g., results for 2017 are reported in the 2017/18 Actual column.

Discussion

This measure tracks our progress in reducing Greenhouse Gas (GHG) emissions and maintaining a carbon neutral status as required by the *Greenhouse Gas Reductions Target Act*. It includes emissions from the entire housing portfolio of buildings owned or leased by the Provincial Rental Housing Corporation, and is aligned with provincial reporting requirements.

Targets are set to achieve a 20 percent or more reduction in GHG emissions from the 2005 level. The baseline, which was calculated across the housing portfolio in 2005, has been maintained to compare our reductions. Targets take into account anticipated changes to the housing portfolio. Targets, each of which is a comparison to the 2005 level, i.e., not cumulative, take into account anticipated changes to the housing portfolio over the service planning period.

In 2017, total GHG emissions related to energy use for heating and electricity in all buildings owned or leased by BC Housing, including directly managed buildings, group homes operated by non-profit housing societies, and Single Room Occupancy (SROs), were reduced by 28 percent from the 2005 level, exceeding the annual reduction target by 8 percent.

These results can be attributed to multi-year building upgrades and energy programs, renovation of 13 SROs in Vancouver's Downtown Eastside through the *Single Room Occupancy Renewal Initiative*, and successful implementation of higher efficiency heating and lighting technologies in new and older buildings, combined with installation of heating systems low in carbon emissions and ongoing improvements in energy management practices across the portfolio.

The total 2017 GHG emissions from buildings were 23,722 tonnes of CO2e[1]. This represents a 28 percent decrease in emissions compared to the 2005 baseline year. The total 2016 GHG emissions from buildings were 23,686 tonnes of CO2e, meaning there has been less than a one percent increase in emissions in 2017 compared to 2016 based mostly on a colder than normal winter in 2017 and a need for increased heating.

[1] CO2e is an abbreviation for carbon dioxide equivalent.

Financial Report

Discussion of Results

Highlights

In 2017/18, BC Housing's expenditures totaled $782.1 million. Services to improve housing options for British Columbians ranged from housing supports for the most vulnerable, affordable rental housing options for low income families and seniors, assistance towards home ownership, as well as consumer protection and improved quality of residential construction in the private market. In total, 107,205 households were assisted, an increase of over 2,000 from the previous year.

In 2017/18, new funding was provided by the Province through the Housing Priority Initiatives Special Account for the first 1,000 modular units of supportive housing under the *Rapid Response to Homelessness* program and 1,700 housing units under the *Affordable Rental Housing* program. Canada Mortgage and Housing Corporation, through the *Social Infrastructure Fund Agreement*, continued to provide capital grants to various projects. Changes in funding from other provincial ministries varied according to costs associated with the group home portfolio. Higher than anticipated interest revenues and lower than anticipated rental assistance costs allowed for higher spending in other areas.

Over the years, the most significant growth in expenditures is to Housing Subsidies. Ongoing funding to non-profit housing providers has grown consistently over the last ten years as new housing programs were introduced and additional housing projects became operational. Time limited capital initiatives for renovations and new construction vary from year to year and are the primary reason for the fluctuations in Housing Subsidies and to expenditures overall. Rental Assistance also increases over the years due to caseload growth, program enhancements, and the introduction of the *Homeless Prevention Program* in 2014/15.

Financial Report Summary Table[1]

($000)	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Actual	2017/18 Variance
Operating Revenue						
Provincial Share ²	411,811	428,025	1,025,666	652,818	513,223	(139,595)
Federal Share	169,972	146,911	255,425	233,501	208,583	(24,918)
Other ³	69,285	61,439	61,783	48,672	60,286	11,614
Total Revenue	**651,068**	**636,375**	**1,342,874**	**934,991**	**782,092**	**(152,899)**
Operating Expenses						
Housing Subsidies	415,695	382,419	888,223	668,352	514,679	(153,673)
Rental Assistance	106,767	112,917	114,351	124,313	118,060	(6,253)
Salaries and Labour	51,085	52,986	54,124	59,297	58,120	(1,177)
Operating Expenses	20,768	22,061	22,028	21,357	24,417	3,060
Building Maintenance	10,803	14,867	17,425	13,970	18,414	4,444
Office and Overhead	10,155	9,626	11,274	11,461	12,360	899
Building Modernization and Improvement	9,890	14,829	10,257	10,849	10,975	126
Building Mortgage Costs	8,533	8,533	8,525	8,499	8,498	(1)
Utilities	8,081	8,209	8,412	8,408	8,288	(120)
Grants in lieu of Property Taxes	6,801	7,616	7,532	7,099	7,162	63
Research and Education	1,714	2,146	1,549	1,336	1,057	(279)
Interest Expense	748	131	276	50	27	(23)
Total Expenses	**651,040**	**636,340**	**1,143,976**	**934,991**	**782,057**	**(152,934)**
Net Income from Operations	**28**	**35**	**198,898**	-	**35**	**35**
Total Debt	**77,216**	**83,341**	**5,000**	**43,285**	**25,028**	**(18,257)**
Accumulated Surplus/Retained Earnings	**4,142**	**(2,400)**	**198,075**	**198,075**	**196,605**	**(1,478)**
Total Capital Expenditures	**692**	**4,984**	**5,742**	**5,000**	**4,731**	**(269)**

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.
Note 2: In 2017/18 this includes funding of $447.4 million provided directly by the provincial government to BC Housing, $30.5 million from the Housing Priority Initiatives Special Account, $12.9 million from the Housing Endowment Fund, and $22.4 million from other partnering ministries/agencies.
Note 3: This includes tenant rent and revenues from other sources including builder licensing fees.

Variance and Trend Analysis

Revenues

The Financial Report Summary Table shows BC Housing's revenues and expenditures from 2014/15 to 2017/18. In 2017/18, actual revenues totalled $782.1 million, which is $152.9 million lower than the 2017/18 budget, and $560.8 million less than the previous year. These decreases reflect changes in provincial revenue, federal revenue, and other revenue.

Provincial Revenue

Provincial revenue decreased by $139.6 million compared to the 2017/18 budget and $512.4 million compared to the previous year. The budget variance is primarily due to unanticipated delays in the delivery of units under the *Rapid Response to Homelessness program.* One-time contributions totalling $553.0 million in 2016/17 for the *Investment in Housing Innovation* and the *Mental Health Housing* programs was partially offset by new funding in 2017/18 for *Rapid Response to Homelessness* and *Affordable Rental Housing* programs and contributes to the year to year variance.

Federal Revenue

Federal revenue decreased by $24.9 million compared to the 2017/18 budget and $46.8 million compared to the previous year. The budget variance in expenditures and other revenue resulted in the deferral of federal revenue into the subsequent year. Funding for the *Single Room Occupancy Renewal Initiative* and the renovation component of the *Social Infrastructure Fund* Agreement ended in 2016/17. These decreases are partially offset by increased funding under the *Social Housing Agreement* and account for the year to year variance.

Other Revenue

Other revenue increased by $11.6 million compared to the 2017/18 budget and decreased by $1.5 million compared to the previous year. This included $8.7 million in interest revenue and $2.9 million in other small increases including tenant rent, fees and licenses collected by the Licensing and Consumer Services branch of BC Housing, and miscellaneous revenues. The year to year variance is mainly due to lower tenant rent and lender revenue, which is partially offset by higher interest revenue.

Expenditures

The Financial Report Summary Table shows BC Housing's actual expenditures totalled $782.1 million, which is a decrease of $152.9 million compared to the 2017/18 budget, and a decrease of $361.9 million compared to the previous year. Major variances include:

Housing Subsidies

Housing Subsidies decreased by $153.7 million compared to the 2017/18 budget and by $373.5 million compared to the previous year.

The major reason for the budget variance is the delay in delivering the modular units of supportive housing and affordable rental housing units, as well as lower than anticipated take-up of the *BC Home Owner Mortgage and Equity (BC HOME) Partnership* program. Another budget variance includes a $10.6 million increase to operating and support subsidies provided to non-profit housing providers for additional shelter spaces, transitional housing and outreach services for people who are experiencing homelessness or at risk of homelessness.

The one-time issuance of $353 million in grants under the *Investment in Housing Innovation* and *Mental Health Housing* programs in 2016/17 along with reduced grants from the federal *Social Infrastructure Fund* Agreement contribute to the year over year variance. Compared to the prior year, operating and support subsidies to non-profit housing providers increased by $10.2 million primarily to provide additional housing for people who are experiencing homelessness or at risk of homelessness. Mortgage subsidy payments on projects transferred under the *Non-profit Asset Transfer* program also increased by $8.9 million.

Rental Assistance
Rental Assistance is $6.3 million lower than the 2017/18 budget and $3.7 million higher than the previous year. While the number of clients receiving assistance under the *Rental Assistance Program* and *Shelter Aid for Elderly Renters* program increased year over year, the level of growth was not at the rate anticipated in the budget.

Salaries and Labour

Salaries and Labour is $1.1 million lower than the 2017/18 budget and $4.0 million higher than the previous year. The main reason for the budget variance is due to the capitalization of salaries for the development of major information technology (IT) systems. Additional staffing was also required for new initiatives including the *BC HOME Partnership* program and the *Investment in Housing Innovation* program. Negotiated salary increases for unionized employees under collective agreements also contributed to the increase over the prior year.

Operating Expenses

Operating Expenses are $3.1 million higher than the 2017/18 budget and $2.4 million higher than the previous year. The main reasons for these variances are due to increased contributions to the self-insurance fund, higher IT costs for the *BC HOME Partnership* program, and lower cost recovery from services provided to non-profit sector.

Building Maintenance

Building Maintenance is $4.4 million higher than the 2017/18 budget and $1.0 million higher than the previous year. The main reason for these variances is the continually increasing costs to maintain BC Housing's aging housing stock. Changes to the funding source used to operate the sponsoring ministry group home portfolio also contributes to the variances.

Office and Overhead

Office and Overhead is $1.1 million higher than the previous year due to consulting expenses related to the provincial homeless count and hiring agency personnel to fill temporary positions.

Risks and Uncertainties

Risks and uncertainties include rate increases in electricity, natural gas, water and sewer, and property taxes. Various measures, such as building energy retrofits and the bulk purchase of natural gas have been implemented to offset this impact. Mortgage renewals with longer terms are in place to offset the risk of raising interest rates.

Financial Statements: BC Housing Management Commission

Statement of Management Responsibility

The financial statements of the British Columbia Housing Management Commission (the Commission) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 25, 2018. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee.

The financial statements have been examined by an independent external auditor. The external auditor's responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Commission's financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The Board of Commissioners, through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Risk Management Committee meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Commissioners. The Audit and Risk Management Committee also recommends the appointment of an external auditor to the Board of Commissioners. The external auditor has full and open access to the Audit and Risk Management Committee, with and without the presence of management.

Shayne Ramsay
Chief Executive Officer

Dan Maxwell
Vice President of Corporate Services
And Chief Financial Officer

May 25, 2018

May 25, 2018

Independent Auditor's Report

To the Board of Commissioners of

British Columbia Housing Management Commission
Independent Auditor's Report

We have audited the accompanying financial statements of British Columbia Housing Management Commission, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, cash flows, remeasurement of gains and losses and changes in net debt / financial assets for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Housing Management Commission as at March 31, 2018 and the statements of operations, cash flows, remeasurement of gains and losses and changes in net debt / financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Other matter
The financial statements of British Columbia Housing Management Commission for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 24, 2017.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Statement of Financial Position

	March 31 2018 ($000's)	March 31 2017 ($000's)
Financial Assets		
Cash	$ **561,647**	$ 550,044
Portfolio investments (Note 3)	**91,023**	98,762
Receivables (Note 4)	**12,582**	13,161
Due from Province of British Columbia (Note 15)	**900**	-
Due from Canada Mortgage and Housing Corporation	**49,985**	60,253
Construction loans to housing projects (Note 4)	**241,523**	277,877
Mortgages receivable (Note 5)	**58,399**	6,882
	1,016,059	1,006,979
Liabilities		
Accounts payable and accrued liabilities	**42,809**	37,207
Deferred revenue (Note 6)	**226,967**	114,167
Due to Provincial Rental Housing Corporation (Note 15)	**200,431**	236,397
Tenants' prepaid rent	**1,397**	893
Due to Provincial Treasury (Note 7)	**25,028**	5,000
Society funds held on deposit (Note 8)	**24,350**	19,915
Grants received in advance of construction (Note 9)	**346,184**	436,530
Social Housing Agreement Reserves (Note 10)	**3,530**	3,449
	870,696	853,558
Net financial assets / (debt)	**145,363**	153,421
Non-financial assets		
Prepaid expenses and housing subsidies	**38,420**	32,736
Tangible capital assets (Note 11)	**12,822**	11,918
	51,242	44,654
Accumulated surplus / (deficit)	**196,605**	198,075
Accumulated surplus / (deficit) comprises:		
Accumulated surplus from operations	**201,235**	201,200
Accumulated remeasurement loss	**(4,630)**	(3,125)
	$ **196,605**	$ 198,075

Commitments (Note 14)
Contingencies (Note 17)

On behalf of the Board

_______________ Chair

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2018 Budget (Note 12) ($000's)	2018 Actuals ($000's)	2017 Actuals ($000's)
Revenue			
Provincial contributions	$ 652,818	$ **513,223**	$ 1,025,666
Federal contributions	233,501	**208,583**	255,425
Tenant rent	30,737	**31,404**	34,609
Other	13,935	**24,662**	19,797
Portfolio investment income	4,000	**4,220**	7,377
	934,991	**782,092**	1,342,874
Expenses			
Housing subsidies and grants	668,352	**514,679**	888,223
Rental assistance	124,313	**118,060**	114,351
Salaries and labour	59,297	**58,120**	54,124
Operating expenses	21,357	**24,417**	22,028
Building maintenance	13,970	**18,414**	17,425
Office and overhead	11,361	**12,360**	11,274
Building modernization and improvement	10,849	**10,975**	10,257
Building mortgage costs	8,499	**8,498**	8,525
Utilities	8,408	**8,288**	8,412
Grants in lieu of property taxes (Note 13)	7,099	**7,162**	7,532
Research and education	1,436	**1,057**	1,549
Interest expense	50	**27**	276
	934,991	**782,057**	1,143,976
Annual surplus from operations		**35**	198,898
Accumulated surplus from operations at beginning of year		**201,200**	2,302
Accumulated surplus from operations at end of year		$ **201,235**	$ 201,200

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31		2018 ($000's)		2017 ($000's)
Cash flows provided by (used in)				
Operating transactions				
Annual surplus from operations	$	**35**	$	198,898
Adjustments to determine cash flows:				
Change in non-cash working capital		**123,169**		(43,593)
Investment Income		**(4,220)**		(7,377)
Amortization		**3,820**		3,484
		122,804		151,412
Capital transactions				
Tangible capital asset additions & disposal		**(4,724)**		(5,742)
Investing transactions				
Construction loans provided to housing projects		**36,354**		(72,678)
Portfolio investments		**10,547**		(21,156)
Mortgages receivable		**(51,517)**		(669)
		(4,616)		(94,503)
Financing transactions				
Grants received in advance of construction		**(90,346)**		411,798
Due to Provincial Treasury		**20,028**		(78,341)
Due to Provincial Rental Housing Corporation		**(35,966)**		141,622
Social Housing Agreement Reserves		**(12)**		347
Society funds held on deposit		**4,435**		(1,010)
		(101,861)		474,416
Increase in cash		**11,603**		532,960
Cash, beginning of year		**550,044**		17,084
Cash, end of year	$	**561,647**	$	550,044

See accompanying notes to the financial statements

Statement of Remeasurement Gains and Losses

Year Ended March 31	2018 ($000's)	2017 ($000's)
Accumulated remeasurement gains, beginning of year	$ **(3,125)**	$ (4,702)
Amount released to income statement	**1,010**	-
Unrealized gain / (loss) attributable to portfolio investments	**(2,515)**	1,577
Net remeasurement changes for the year	**(1,505)**	1,577
Accumulated remeasurement loss, end of year	$ **(4,630)**	$ (3,125)

Statement of Changes in Net Financial Assets / (Debt)

Year Ended March 31	Budget ($000's) (Note 12)	2018 ($000's)	2017 ($000's)
Annual surplus from operations		$ **35**	$ 198,898
Net remeasurement changes for the year		**(1,505)**	1,577
		(1,470)	200,475
Depreciation of tangible capital assets		**3,820**	3,484
Disposal of tangible capital asset		**7**	-
Acquisition of tangible capital assets	**(5,000)**	**(4,731)**	(5,742)
		(904)	(2,258)
Acquisition of prepaid expenses and housing subsidies		**(391,985)**	(357,510)
Use of prepaid expenses and housing subsidies		**386,301**	354,899
		(5,684)	(2,611)
Changes in net financial assets / (debt) for the year		**(8,058)**	195,606
Net financial assets / (debt), beginning of year		**153,421**	(42,185)
Net financial assets / (debt), end of year		$ **145,363**	$ 153,421

See accompanying notes to the financial statements

Notes to the Financial Statements
March 31, 2018

1. General

The British Columbia Housing Management Commission (the Commission) is a Crown agency, established in 1967 to deliver on the provincial government's commitment to the development, management and administration of subsidized housing throughout the Province of British Columbia (the Province). This includes developing and facilitating new social housing, administering rental assistance programs, and a variety of other federal and/or provincial housing programs. The Provincial Rental Housing Corporation (the Corporation) holds property for social housing for the Province. The subsidized rental housing units of the Corporation are managed and operated by the Commission. The Commission administers agreements relating to operation of social housing units owned and/or managed by non-profit housing providers. Through the Licensing and Consumer Services Branch, the Commission also has responsibilities related to licencing of builders, home warranty insurance, and research and education to improve the quality of residential construction and consumer protection.

The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements have been prepared in accordance with Province of British Columbia, Ministry of Finance regulation 688-2010 that requires taxpayer-supported organizations to adopt Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

b) Use of Estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimating the useful life of tangible capital assets and the collectability of receivables, construction loans to housing projects and mortgages receivable requires the greatest degree of estimation. Actual results could differ from those estimates.

c) Revenue Recognition

The Commission is funded primarily by the Province and the Canada Mortgage Housing Corporation (CMHC).

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral. Eligibility criteria are the criteria that the Commission has to meet in order to receive the contributions including authorization by the transferring entity.

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized in the year related expenses are incurred.

d) Tenant Rent Revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent and a percentage of each resident's income.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated over their estimated useful life. Desktop applications and computer hardware are depreciated on a three-year amortization period. Server applications and communications hardware and components are depreciated on a five-year amortization period. Enterprise applications are depreciated on a ten-year amortization period. All other capital assets are depreciated over a five-year amortization period.

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the Commission to provide services or when the value of future economic benefits are less than their net book value. The write-downs are accounted for as expenses in the statement of operations.

f) Employee Benefit Plans

The employees and employers of the public service contribute to the Public Service Pension Plan (the Plan), a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory defined benefits pension plan and pension benefits are expensed as incurred. The Plan has approximately 57,000 active plan members and approximately 46,200 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2017, indicated an actuarial surplus of $1.9 billion for basic pension benefits. The next valuation will be as at March 31, 2020 with results available in early 2021. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid $4,485,809 for employer contributions to the Plan in fiscal 2018 (2017: $4,174,568).

g) Financial Instruments

The Commission's financial instruments consist of cash, portfolio investments, receivables, due from the Province of British Columbia, due from Canada Mortgage and Housing Corporation, construction loans to housing projects, mortgages receivable, accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation, due to Provincial Treasury, and Society funds held on deposit.

Upon inception and subsequent to initial recognition, equity instruments quoted in an active market (portfolio investments) are measured at fair value. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified into another measurement category for the duration of the period they are held.

All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Receivables, due from the Province of British Columbia, due from Canada Mortgage and Housing Corporation, loan receivables and mortgages receivable are recorded at amortized cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

The classification of financial instruments is determined upon their initial recognition. Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category as described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Portfolio investments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Realized gains and losses are recognized in the operating statement and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement gains and losses. All other financial instruments are recorded at cost or amortized cost basis using the effective interest rate method where appropriate.

All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

h) Newly Adopted Accounting Standards

Effective April 1, 2017, the Commission adopted the following new accounting standards:

i. PS 2200, Related Party Disclosures: PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements.

ii. PS 3420, Inter-entity Transactions: PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.

iii. PS 3210, Assets: PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.

iv. PS 3320, Contingent Assets: PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

v. PS 3380, Contractual Rights: PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

Except for disclosure changes resulting from the adoption of PS 2200 and PS 3380, there was no impact to the financial statements upon transition to the other standards.

3. Portfolio Investments

BC Housing invests funds held on behalf of non-profit housing providers, funds for specific reserves and funds provided by ministries for specific housing projects. These investments are held in pooled investments and managed by four investment management firms. Income derived under the investments is reinvested into the portfolio. An investment committee meets periodically to review the performance of the fund managers and ensure compliance with the BC Housing investment policy. Quarterly reports are provided to the BC Housing Board of Commissioners. The investment policy has the following asset target components: 30% Fixed Income, 15% Canadian Equity, 20% Canadian real estate and 35% Global Equity. The market yield during fiscal 2017/18 was 3.16% (2016/17: 10.21%).

4. Receivables and Construction Loans to Housing Projects

a) Receivables

Receivables are recorded at cost less an amount for allowance of doubtful accounts. The allowance is determined on the basis of past collection experience. In fiscal 2017/18, the allowance totalled $4,045,000 (2016/17: $4,292,000). Changes in the valuation allowance are recognized in the statement of operations.

b) Construction Loans to Housing Projects

In its capacity as a National Housing Act approved lender, the Commission funds construction draws for societies who are building approved projects under social housing programs. These advances are repaid at substantial completion of each project from financing arranged with private lenders. The average period of construction financing can range from eighteen months to over two years. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The current average yield for the portfolio is 1.24% (2016/17: 0.89%). The allowance for construction loans to housing projects for fiscal 2017/18 totalled $8,713,000 (2016/17: $7,109,000).

5. Mortgages receivable

a) Non-profit Housing Provider Mortgages receivable

The Commission periodically continues to hold construction financing mortgages receivable after construction completes. In all but rare situations, these mortgages are tendered for take-out financing provided by private sector financial institutions within twelve months of the construction completion date. As of March 31, 2018, the total value of construction financing mortgages receivable was $32,868,000 (2017: $4,100,000). These mortgages are secured by property.

b) BC HOME Partnership Loans Receivable

Through the BC Home Owner Mortgage and Equity Partnership (BC HOME Partnership), the Commission assists eligible first-time homebuyers by providing repayable down payment assistance loans. The loans, secured as a second mortgage by property, are interest and payment free for the first five years after which interest at prime plus 0.5% will begin to accrue and principal and interest payments will be amortized over twenty years. The initial interest rate is set when the loan is conditionally approved, and will be reset at the Royal Bank of Canada Prime Rate plus 0.5% at each of the 10th, 15th and 20th anniversary dates.

As the first five years of the loans are concessionary, the loans have been recorded at the present value, discounted at prime plus 0.5% in 2017/18. The loan discount will be amortized into revenue and the loan receivable using the effective interest rate approach over the five-year concessionary term. The related concessionary loan expense is recorded at the time of issue and is included in housing subsidies expense. The program stopped accepting new applications on March 31, 2018. As of March 31, 2018, the total value of the loan receivables was $25,487,000 (2016/17: $2,882,000).

6. Deferred Revenue

These funds are restricted contributions received in advance of related expenditures that are incurred in the following fiscal year.

	2017 ($000's)	Contributions Received ($000's)	Revenue Recognized ($000's)	**2018 ($000's)**
Provincial Contributions	$ 44,384	$ 217,361	$ (82,312)	**$ 179,433**
Canada Mortgage and Housing Corporation	69,748	186,054	(208,298)	**47,504**
Other Agencies	35	316	(321)	**30**
	$ 114,167	$ 403,731	$ (290,931)	**$ 226,967**

The Social Housing Agreement Reserves (see Note 10) represent further restricted contributions from CMHC of a long-term nature.

7. Due to Provincial Treasury

Amounts represent short-term funds borrowed from the Province for the purpose of facilitating the construction or renovation of affordable housing. The maximum amount is not to exceed $165 million bearing interest at a variable rate charged by the provincial Ministry of Finance.

8. Society Funds Held on Deposit

These funds represent the balance of mortgage advances held to cover various non-profit society construction and soft costs required to complete their projects. Interest accrues on the society funds at the prime minus 1.75%.

9. Grants Received in Advance of Construction

The Commission receives funds from the Province and CMHC, the use of which is restricted to the construction of specific social housing projects.

	2017 ($000's)	Grants received ($000's)	Construction costs incurred ($000's)	**2018 ($000's)**
Project Grants	$ 14,898	$ 3,883	$ (10,305)	**$ 8,476**
Provincial - Building Capital Renewal Funding	-	15,062	(15,062)	**-**
Provincial - Housing Priority Initiative	324,953	15,000	(78,001)	**261,952**
Provincial - Modular Supportive Housing		15,233	(15,233)	**-**
Provincial - Affordable Rental Housing		7,688	(7,688)	**-**
CMHC - Investment in Affordable Housing (Phase I and Phase II)	5,938	24	(4,655)	**1,307**
CMHC - Social Housing Agreement	628		(511)	**117**
CMHC - Social Infrastructure Fund	89,824	46,822	(62,603)	**74,043**
Ministry - Other	289			**289**
	$ 436,530	$ 103,712	$ (194,058)	**$ 346,184**

10. Social Housing Agreement Reserves

The funds are available to offset future cost increases in the federal social housing portfolio due to inflation and changes in interest rates, or losses on loans owing by third parties. The funds are restricted under the Social Housing Agreement (SHA) and may only be used for housing within the SHA portfolio.

	2018 ($000's)	2017 ($000's)
Balance, beginning of year	**$ 3,449**	$ 2,851
Funds applied	**(12)**	347
Investment income	**93**	251
Balance, end of year	**$ 3,530**	$ 3,449

11. Tangible Capital Assets

	2017 ($000's) Cost	Additions	Disposals	2018 ($000's) Cost
Computer software	$ 40,736	3,459	784	$ 43,411
Computer hardware	2,845	-	100	2,745
Tenant improvements	10,396	923	-	11,319
Office furniture	2,893	291	9	3,175
Office equipment	164	-	11	153
Vehicles	1,618	23	45	1,596
Grounds equipment	533	35	25	543
	$ 59,185	4,731	974	$ 62,942

	Accumulated Depreciation	Amortization	Disposals	Accumulated Depreciation
Computer software	$ 30,573	2,980	777	$ 32,776
Computer hardware	2,637	144	100	2,681
Tenant improvements	9,611	411	-	10,022
Office furniture	2,654	105	9	2,750
Office equipment	164	-	11	153
Vehicles	1,124	164	45	1,243
Grounds equipment	504	16	25	495
	$ 47,267	3,820	967	$ 50,120
Net Book Value	**$ 11,918**			**$ 12,822**

12. Budget Figures

Budgeted figures are provided for comparative purposes, and are consistent with the budget presented in the 2017/18 Service Plan Update that was released in September 2017.

13. Grants in Lieu of Property Taxes

The Commission, on behalf of the Province, pays each municipality a grant equivalent to gross property taxes due for all residential properties and projects managed.

14. Commitments

a) Rental Obligations

The Commission has minimum rental obligations under operating leases for office space over the next five fiscal years as follows:

		($000's)
2019	$	5,243
2020		5,816
2021		5,982
2022		6,132
2023		6,278
Total	$	29,451

b) Contractual Obligations

The Commission has significant contractual obligations with non-profit housing societies for the provision of annual subsidies. These contracts are reviewed annually to evaluate the level of commitment. The current annual subsidy is $398,760,000 with a forecasted amount over five years as follows.

		($000's)
2019	$	407,441
2020		241,919
2021		204,987
2022		197,327
2023		190,985
Total	$	1,242,659

c) Public-Private Partnership Commitments

The Commission has entered into a public-private partnership project (P3) with Habitat Housing Initiative (HHI) to renovate thirteen Single Room Occupancy Hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions provided during construction, for future obligations under the contract with HHI for the capital cost and financing, the facility maintenance and lifecycle costs as defined in the Project Agreement. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progresses, the asset values are recorded as capital assets and the obligation is recorded as a liability and included in long-term debt in the Corporation (see Note 15). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is provided by the Commission. The capital portion of the payments due to HHI are recorded under Housing subsidies and grants and are expensed to the Corporation.

		Capital ($000's)		Facility Maintenance and Lifecycle ($000's)		**Total Payments ($000's)**
2019	$	9,461	$	2,731	**$**	**12,192**
2020		9,461		2,444		**11,905**
2021		9,461		2,735		**12,196**
2022		9,461		2,228		**11,689**
2023		9,461		2,165		**11,626**
Thereafter		74,105		17,075		**91,180**
Total	$	121,410	$	29,378	**$**	**150,788**

d) Loan Insurance Agreement

CMHC provides loan insurance under the *National Housing Act*, to assist the Commission in securing mortgages for the Corporation and not for profit housing providers. In the event of a loan default, the Commission is required to rectify the default and fully reimburse CMHC for claims paid to approved lenders. Since the establishment of this agreement in January 1993, there has never been a claim made under this agreement. The Commission underwrites these mortgages in accordance with CMHC guidelines for multi-unit properties, places charges on title to ensure access to property and requires housing providers to have an operating agreement with the Commission ensuring ongoing access to financial information.

The maximum value of mortgages that can be insured under this agreement is $3.5 billion. As of March 31, 2018, the total value of outstanding CMHC insured mortgages was $2,241,937,129 (2017: $2,119,062,248). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

15. Related Party Transactions

a) BC Government Reporting Entities

The Commission is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchanged amount, which is the amount of consideration established and agreed to by the related parties. Funds are due on receipt of the invoice and bear no interest.

b) Provincial Rental Housing Corporation (the Corporation)

The Corporation was created in 1961 as a landholding corporation for social and other low-cost housing for the Province. The Corporation is a separate legal entity that was incorporated under the *Company Act* of the Province and has a separate governance structure. The rental housing units of the Corporation are managed and operated by the Commission. The assets and liabilities, including the capital cost of projects owned by the Corporation, and results from operations of the Corporation are not included in the statements of the Commission. Separate financial statements are prepared for the Corporation.

During the year, the Commission provided $71,979,000 (2017: $71,084,000) to the Corporation for capital grants, self-insurance, mortgage subsidies, etc. As at March 31, 2018, amounts due to the Corporation totalled $200,430,000 (2017: $236,397,000) and represent funds advanced for the acquisition and development of properties under social housing programs. The advances are non-interest bearing with no set terms of repayment.

16. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. The Commission has contractual rights to receive payment under a share cost agreement or to receive lease payments as follows:

Contractual right with:	Description	2019 ($000's)	2020 ($000's)	2021 ($000's)	2022 ($000's)	2023 ($000's)	Thereafter ($000's)
CMHC	Annual funding under the Social Housing Agreement (SHA)	102,388	97,442	85,710	80,179	71,976	202,798
CMHC	Annual funding under the Extension to the Investment in Affordable Housing (IAH) Agreement	30,020	-	-	-	-	-
Non-profit housing providers	Land/and or building lease payments on properties owned by the Corporation	1,244	1,244	1,244	1,244	1,244	25,088
Total		$133,652	$ 98,686	$ 86,954	$ 81,423	$ 73,220	$227,886

17. Contingencies

a) Letters of Credit

As at March 31, 2018, the Commission was contingently liable with respect to letters of credit totalling $3,748,206 (2017: $2,638,522) for municipal development cost charges.

b) Legal Claims

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2018, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

18. Financial Instrument Risks

The Commission, through its financial assets and liabilities, is exposed to credit risk, interest rate risk, market risk and liquidity risk. The following analysis provides a measurement of those risks at March 31, 2018:

a) Credit Risk

Credit risk is the risk that the Commission will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Commission to credit risk consist primarily of cash and short-term investments, receivables, mortgages receivable and construction loans.

The Commission is not exposed to significant credit risk as the majority of receivables are due from CMHC and the Province. The development phase of a project bears some credit risk as a result of municipal zoning uncertainty, the capacity of non-profit housing providers, and funding availability. During this phase, credit risk is mitigated by an assessment of collectability. During the construction phase of a project, credit risk is low with respect to construction loans to housing projects owned by non-profit housing providers as the loans are secured by property and repaid at substantial completion of project (see Note 4). In addition, credit risk is low with respect to mortgages receivable from non-profit housing providers and BC HOME Partnership loans as these receivables are also secured by property (see Note 5).

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Construction loans bear interest at the Province’s weighted average borrowing rate, but these loans are short term. Investments bear some interest rate risk but these risks are mitigated through the diversification of the portfolio.

c) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Commission has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The Commission has also retained two qualified investment firms to invest surplus funds in accordance with its investment policy.

d) Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its obligations as they fall due. The Commission maintains adequate levels of working capital to ensure all its obligations can be met as they become due. If the current funding, and cash on hand was insufficient to satisfy its current obligations, the Commission has the option to sell its portfolio investments.

The majority of the Commission’s financial assets and liabilities are current, maturing within 0 to 1 year. The table below shows the various financial assets and liabilities that mature after 1 year.

2018

Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Construction loans to housing projects	154,868	86,655	-	241,523
Mortgages receivable	31,036	1,906	25,457	58,399
Total	$ 185,904	$ 88,561	$ 25,457	$ 299,922

Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Society funds held on deposit	$ 1,105	$ 4,601	$ 18,644	$ 24,350

2017

Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Construction loans to housing projects	147,378	130,499	-	277,877
Mortgages receivable	234	3,772	2,876	6,882
Total	$ 147,612	$ 134,271	$ 2,876	$ 284,759

Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Society funds held on deposit	$ 1,607	$ 4,728	$ 13,580	$ 19,915

e) Foreign Exchange Risk or Other Price Risk

The Commission is not exposed to foreign exchange risk or other price risk.

Financial Statements: Provincial Rental Housing Corporation

Statement of Management Responsibility

The financial statements of the Provincial Rental Housing Corporation (the Corporation) are the responsibility of management and have been prepared in accordance with section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 25, 2018. The financial statements have also been reviewed and approved by the Board of Directors.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been examined by an independent external auditor. The external auditor's responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Corporation's financial position, results of operations, changes in net assets and cash flows in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors reviews internal financial statements quarterly and external audited financial statements annually. The external auditor has full and open access to the financial management of the Corporation and meets with them when required.

Shayne Ramsay
President

Dan Maxwell
Chief Financial Officer

May 25, 2018

May 25, 2018

Independent Auditor's Report

To the Shareholder of
Provincial Rental Housing Corporation

We have audited the accompanying financial statements of Provincial Rental Housing Corporation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion
In our opinion, the financial statements which comprise the consolidated statement of financial position as at March 31, 2018 and the statements of operations, changes in net debt and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 13 to the financial statements discloses the impact of these differences.

Other matter
The financial statements of Provincial Rental Housing Corporation for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on
May 24, 2017.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Statement of Financial Position

	March 31 2018 ($000's)	March 31 2017 ($000's)
Financial assets		
Cash	**$ 1**	$ 1
Debenture subsidy receivable	**839**	839
Due from BC Housing Management Commission (Note 7)	**200,431**	236,397
Long-term receivables (Note 4)	**293,207**	293,207
Loan receivables (Note 3)	**182**	632
	494,660	531,076
Liabilities		
Interest payable	**335**	366
Deferred capital contributions (Note 5)	**594,298**	578,696
Unearned lease revenue	**31,016**	37,631
Site contamination (Note 6)	**6,913**	7,067
Long-term debt (Note 8)	**233,744**	240,963
	866,306	864,723
Net debt	**(371,646)**	(333,647)
Non-financial assets (Note 9)		
Housing and projects under construction	**1,360,695**	1,278,097
Riverview Lands redevelopment	**16,052**	12,593
	1,376,747	1,290,690
Accumulated surplus	**$ 1,005,101**	$ 957,043

Commitments (Note 10)

On behalf of the Board:

Director Director

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2018 ($000's)	2017 ($000's)
Revenue		
Provincial subsidy	**$ 31,201**	$ 30,719
Contribution revenue	**43,398**	56,134
Gain on sale of property	**31,136**	269,516
Lease revenue	**6,690**	3,123
Interest income	**3,809**	-
	116,234	359,492
Expenses		
Depreciation	**50,316**	47,627
Interest on long-term debt	**11,896**	10,952
Social housing grant and subsidy	**2,824**	3,110
Group home and self insurance claims	**3,140**	1,844
	68,176	63,533
Annual surplus from operations	**48,058**	295,959
Accumulated surplus from operations at beginning of year	**957,043**	661,084
Accumulated surplus from operations at end of year	**$ 1,005,101**	$ 957,043

See accompanying notes to the financial statements

Statement of Changes in Net Debt

Year Ended March 31	2018 ($000's)	2017 ($000's)
Annual surplus	**$ 48,058**	$ 295,959
Acquisition of tangible capital assets	**(160,919)**	(171,642)
Depreciation of tangible capital assets	**50,316**	47,627
Disposal of tangible capital assets	**28,005**	41,801
	(82,598)	(82,214)
Riverview Lands redevelopment	**(3,459)**	(6,509)
Changes in net debt for the year	**(37,999)**	207,236
Net debt, beginning of year	**(333,647)**	(540,883)
Net debt, end of year	**$ (371,646)**	$ (333,647)

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31	2018 ($000's)	2017 ($000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	$ **48,058**	$ 295,959
Adjustments to determine cash flows:		
Depreciation	**50,316**	47,627
Amortization of deferred contributions	**(34,123)**	(52,157)
Gain on sale of property	**(31,136)**	(269,516)
Amortization of unearned lease revenue	**(6,615)**	(3,048)
Change in non-cash working capital	**419**	11,799
	26,919	30,664
Capital transactions		
Property acquisitions	**(160,919)**	(171,642)
Proceeds on sale of property	**59,141**	311,317
Riverview Lands redevelopment	**(3,459)**	(6,509)
	(105,237)	133,166
Financing transactions		
Deferred contributions	**49,725**	29,327
New long-term debt financing	**9,190**	33,010
Site contamination	**(154)**	(275)
Due from BC Housing Management Commission	**35,966**	(141,622)
Long-term debt repayment	**(16,409)**	(40,726)
Long-term receivable	**-**	(43,544)
	78,318	(163,830)
Increase in cash	**-**	-
Cash, beginning of year	**1**	1
Cash, end of year	$ **1**	$ 1

See accompanying notes to the financial statements

Notes to the Financial Statements
March 31, 2018

1. General

The Provincial Rental Housing Corporation (the Corporation) was incorporated under the *Company Act* of the Province of British Columbia in 1961. The Corporation is wholly owned by the Province, and is an agent of the Crown. The Corporation is exempt from federal and provincial income taxes.

The Corporation holds property for social and other low cost housing for the Province. It also holds land under long-term leases to housing providers. The subsidized rental housing units of the Corporation are managed and operated by the British Columbia Housing Management Commission (the Commission), which is a Crown corporation that records the related rental revenue and is responsible for all the operating and administrative activities and related costs. Separate financial statements are prepared for the Commission.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements have been prepared in accordance with section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. This section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to the accounting for government transfers as set out in Note 13. The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada is responsible for establishing Canadian public sector accounting standards.

b) Use of Estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The service life of buildings requires the greatest degree of estimation. Site remediation liability is based on a third party valuation. Actual results could differ from those estimates.

c) Revenue Recognition

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.

d) Deferred Contributions

Canadian public sector accounting standards require that government transfers be recognized when approved and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized over the period that the liability is extinguished (see Note 13).

However, consistent with the Province of British Columbia, Ministry of Finance regulation 198/2011, funding received from the Province for the acquisition or construction of depreciable capital assets is recorded as a liability (deferred capital contribution) and is recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services.

e) Tangible Capital Assets

i. The Corporation capitalizes its tangible capital assets at cost and depreciates its buildings using the straight-line method as follows:

- Newly constructed buildings are depreciated over a 40-year amortization period;
- Purchases of older buildings are depreciated over the remaining estimated useful life of the building; and,
- Betterments to buildings are depreciated over the extended remaining life of the building.

Construction in progress is not subject to depreciation until the project is complete and transferred to buildings.

ii. 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 that the value of future economic benefits associated with the tangible capital asset is less than its net book value. The write-down of tangible capital assets is accounted for in the statement of operations. Write-downs are not subsequently reversed.

f) Capitalization of Public-Private Partnership Projects

Public-private partnership (P3) projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The costs of the assets are estimated at fair value, based on construction progress verified by an independent certifier, and also include other costs incurred directly by the Corporation. The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received during the construction term. The interest rate used is the project internal rate of return. Upon completion, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in long-term debt.
Upon substantial completion, the private sector partner receives monthly payments to cover the partner's operating costs, financing costs and a return of their capital.

g) Riverview Lands Redevelopment

All costs associated with the redevelopment are capitalized, including carrying costs, construction, net operating income or losses, financing and demolition. Costs will be capitalized until the completion of the redevelopment. The net amount recoverable from the redevelopment is considered sufficient to recover the capitalized costs.

h) Property Leases

The Corporation leases property used for housing projects to housing providers. These 60-year leases are prepaid by the housing sponsors when the housing projects are completed and ready for occupancy. The Corporation amortizes the lease revenue over the term of each lease and records the unearned portion as unearned lease revenue.

i) Financial Instruments

The Corporation's financial instruments consist of cash, debenture subsidy receivable, due from BC Housing Management Commission, long-term receivables, loan receivables, interest payable, and long-term debt. All financial instruments are recorded at cost or amortized cost using the effective interest rate method where appropriate.

The classification of financial instruments is determined upon their initial recognition. Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category as described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

A financial liability or its part is derecognized when it is extinguished.

j) Newly Adopted Accounting Standards
Effective April 1, 2017, the Commission adopted the following new accounting standards:

vi. PS 2200, Related Party Disclosures. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements.

vii. PS 3420, Inter-entity Transactions. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.

viii. PS 3210, Assets. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.

ix. PS 3320, Contingent Assets. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

x. PS 3380, Contractual Rights. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

Except for disclosure changes resulting from the adoption of PS 2200, there was no impact to the financial statements upon transition to the other standards.

3. Loan Receivables

The Corporation has transferred a number of Rural and Native Housing projects to various Aboriginal housing providers over the last two years. These properties were originally transferred to the Corporation as part of the devolution of federal housing in 2006 with the intention that they would eventually be transferred to Aboriginal management and ownership. Repayable loans are associated with each property, with a total value of $182,245 (2017: $$631,515). Each loan has different repayment dates with interest rates ranging from 3% to 6%. The final loan is to be repaid in fiscal 2018/19.

4. Long-term Receivables

Long-term receivables comprise receivables from the sale of two properties as follows:

		($000's)
Little Mountain:		
March 31, 2017 Balance	$ 239,389	
Principal adjustment		(3,809)
Interest adjustment		3,809
		239,389
Cedar Place		53,818
March 31, 2018 Balance	**$ 293,207**	

a) Little Mountain

The Corporation completed the sale of Little Mountain property on July 2, 2013, for proceeds of $333.96 million. The purchaser is required to provide the Corporation with 234 non-market housing units and to pay the balance of the purchase price based on the proportion of the site developed in phases over time. The current receivable is adjusted based on the updated cash flow forecast and it is equal to the net present value of the remaining expected future payments and the fair value of the 181 social housing units not constructed, discounted at 2.5%.

b) Cedar Place

The sale of the Cedar Place property was completed on March 22, 2017 for proceeds of $53.82 million. The purchaser is required to provide the Corporation with a total of 181 non-market housing units. This includes land and building for 90 family units and 91 units of senior housing constructed on land owned by the Corporation.

5. Deferred Capital Contributions

	2018 ($000's)	2017 ($000's)
Balance, beginning of year	**578,696**	601,526
Receipts	**49,725**	29,327
Amortization	**(34,123)**	(52,157)
Balance, end of year	**594,298**	578,696

Deferred capital contributions are capital grants from the Commission. The grants are for the purchase and/or development of new social housing projects or the major rehabilitation of buildings owned by the Corporation (see Note 2).

6. Site Contamination

The Ministry of Citizens' Services (formerly the Ministry of Technology, Innovation and Citizens' Services) and the Ministry of Health transferred $7.4 million to the Corporation for remediation of contaminated sites at the Riverview Lands project site. As of March 31, 2018, the total liability is $6.9 million. While this amount exceeds the current best estimate of the present value of remediation costs required of $5.5 million, any portion of the amount transferred that proves to exceed the actual amount required will be repayable by the Corporation to the Ministry of Citizens' Services. The Corporation will review the contamination and cost of remediation over the life of the projects and will adjust the liability as information becomes available.

7. Related Party Transactions

a) BC Government Reporting Entities

The Corporation is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchanged amount, which is the amount of consideration established and agreed to by the related parties.

b) British Columbia Management Housing Commission (the Commission)

The Commission was established in 1967 to deliver on the provincial government's commitment to the development, management and administration of subsidized housing throughout the Province of British Columbia. The Commission is a Crown corporation and has a separate governance structure. The rental housing units of the Corporation are managed and operated by the Commission. The assets and liabilities, including the capital cost of projects owned by the Corporation, and results from operations of the Corporation are not included in the statements of the Commission. Separate financial statements are prepared for the Commission.

The following types of transactions occur by the Commission on behalf of the Corporation:

i. Insurance

The Corporation does not insure most of its rental housing properties. Instead property losses are compensated by the Province through the Commission and, for certain properties, by CMHC.

ii. Directly Managed Debenture Subsidy

The Commission provides to the Corporation a directly managed debenture subsidy for the principal and interest costs of the long-term debt related to properties that are directly managed by the Commission.

iii. Group Home Mortgage Subsidy

The Commission provides to the Corporation a group home mortgage subsidy for the mortgage payments made to chartered banks and Canada Mortgage Housing Corporation (CMHC).

iv. Administration and Financing

The Commission manages the administration, financing, operations and capital projects of the Corporation. The Commission charges a 5% administration fee on the acquisition or disposition of property for services performed.

During the year, the Corporation provided $7,866,000 (2017: $22,527,000) to the Commission and the Commission provided $71,979,000 (2017: $71,084,000) to the Corporation for capital grants, self-insurance, mortgage subsidies, etc. As at March 31, 2018, amounts due from the Commission totalled $200,431,000 (2017: $236,397,000) and represent funds advanced for the acquisition and development of properties under social housing programs. The advances are non-interest bearing with no set terms of repayment.

8. Long-Term Debt

		2018 ($000's)		2017 ($000's)
Canada Mortgage and Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2027, with a weighted average rate of 7.76% (2017: 7.76%) and secured by unregistered first mortgages on properties of the Corporation.	**$**	**42,781**	$	47,868
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with a weighted average rate of 2.51% (2017: 2.51%), secured by registered first mortgages on properties of the Corporation.		**111,326**		109,618
Public-Private Partnership Obligations SRO Renewal Initiative, 18 year contract until January 2031 with Habitat Housing Initiative, monthly payments including interest at 6.73% per annum, payable in accordance with the project agreement terms commencing July 2014 to a maximum of $788,377.		**79,637**		83,477
	$	**233,744**	$	240,963

The aggregate principal repayments required in each of the next five fiscal years are estimated to be as follows:

		($000's)
2019	$	**34,620**
2020		**26,762**
2021		**30,071**
2022		**22,454**
2023		**22,966**
Thereafter		**96,871**
	$	**233,744**

9. Non-Financial Assets

a) Housing and Property Under Construction

Cost		2017 ($000's) Beginning		Additions		Disposals		**2018 ($000's) Ending**
Land	$	416,547	$	46,365	$	(25,144)	**$**	**437,768**
Buildings		1,179,093		62,879		(4,694)		**1,237,278**
Construction in progress		34,548		51,675		-		**86,223**
	$	1,630,188	$	160,919	$	(29,838)	**$**	**1,761,269**

Depreciation		Beginning Accumulated		Annual Expense		Disposals Adjustments		**Ending Accumulated**
Buildings	$	352,091	$	50,316	$	(1,833)	**$**	**400,574**

Net Book Value		Beginning		**Ending**
Land	$	416,547	**$**	**437,768**
Buildings		827,002		**836,704**
Construction in progress		34,548		**86,223**
	$	1,278,097	**$**	**1,360,695**

b) Riverview Lands Redevelopment

On February 2, 2015, ownership of the Riverview Lands was transferred to the Corporation from the Ministry of Citizens' Services (formerly the Ministry of Technology, Innovation and Citizens' Services). The land is to be redeveloped over the next several years. All costs associated with the redevelopment will be capitalized, including financing, demolition, land planning and the net operating costs associated with the ongoing operations at the site. Costs related to the development are to be funded through the proceeds obtained from the redevelopment, including lease and film revenues. The land and buildings were transferred to the Corporation at book value.

		2017 ($000's) Beginning		Expenses		Revenue		**2018 ($000's) Ending**
Construction	$	10,460		2,193		-	**$**	**12,653**
Net operating		2,133		5,696		(4,430)		**3,399**
	$	12,593	$	7,889	$	(4,430)	**$**	**16,052**

As part of its ongoing consultations with the Kwikwetlem First Nation (KFN) respecting the future use and redevelopment of the Riverview Lands, the Commission entered into an Interim Accommodation Agreement with the KFN dated April 13, 2016, to facilitate the development of two new provincial health facilities that replace existing structures. The Corporation, the Commission and the KFN continue to work together to conclude a final impact benefits agreement in relation to the Riverview Lands.

10. Commitments

The Corporation has entered into a public-private partnership project with Habitat Housing Initiative (HHI) to renovate 13 Single Room Occupancy hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions provided during construction, for future obligations under the contract including the Commission's annual service payments to HHI for the capital cost and financing, the facility maintenance and lifecycle costs. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progressed, the asset values were recorded as tangible capital assets (see Note 9) and the obligation was recorded as a liability and included in long-term debt (see Note 8). Upon construction completion, the obligation is met through the capital component of the monthly service payments over the term of the Project Agreement that is paid directly by the Commission.

		Capital ($000's)		Facility Maintenance and Lifecycle ($000's)		**Total Payments ($000's)**
2019	$	9,461	$	2,731	**$**	**12,192**
2020		9,461		2,444		**11,905**
2021		9,461		2,735		**12,196**
2022		9,461		2,228		**11,689**
2023		9,461		2,165		**11,626**
Thereafter		74,105		17,075		**91,180**
Total	$	121,410	$	29,378	**$**	**150,788**

11. Financial Instrument Risks

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks as at March 31, 2018:

a) Credit Risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of the funds due from the Commission (see Note 7), loan receivables (see Note 3) and long-term receivables (see Note 4).

The Corporation is not exposed to significant credit risk with respect to the amounts due from the Commission. To reduce the risk associated with loan receivables and long-term receivables, the Corporation periodically evaluates the collectability of its accounts receivable and adjusts it to reflect the true value of the receivable when necessary.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is subject to interest rate risk when refinancing its long-term debt portfolio. The Corporation mitigates this risk by maximizing its borrowing from CMHC and seeking competitive interest rates from financial institutions. The Corporation is also able to mitigate short- and long-term interest rate changes through the Commission's ability to borrow directly from the Provincial Treasury.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Commission administers the finances of the Corporation and maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

The majority of the Corporation's financial assets and liabilities are current, maturing within 0 to 1 year. The table below shows the various financial assets and liabilities that mature after 1 year.

2018

Financial assets	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Long-term receivables	$ 74,073	$ 185,510	$ 33,624	$ 293,207
Loan receivables	164	18	-	182
Total	$ 74,237	$ 185,528	$ 33,624	$ 293,389

Financial liabilities	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Long-term debt	$ 34,620	$ 102,253	$ 96,871	$ 233,744

2017

Financial assets	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Long-term receivables	$ 29,836	$ 229,747	$ 33,624	$ 293,207
Loan receivables	450	182	-	632
Total	$ 30,286	$ 229,929	$ 33,624	$ 293,839

Financial liabilities	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Long-term debt	$ 33,016	$ 103,548	$ 104,399	$ 240,963

d) Foreign Exchange Risk or Other Price Risk

The Corporation is not exposed to foreign exchange risk or other price risk.

12. Budget

The Corporation does not establish an annual operating budget as the information does not assist the directors in monitoring or evaluating changes in revenues or expenditures. The Corporation operates as a land holding company and does not employ staff. The Corporation's revenues and expenditures are largely fixed in nature. The Commission actively administers the provincial social housing programs and records the revenues and expenditures incurred from the operation of the Corporation's buildings.

13. Impact of Accounting for Government Transfers in Accordance with the *Budget Transparency and Accounting Act*

As noted in the significant accounting policies (see Note 2), section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and its related regulations require the Corporation to account for government transfers for capital assets by deferring and recognizing them in revenue at the same rate that amortization of the related capital asset is recorded. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be reported in income immediately. If government transfers were accounted for under Canadian public sector accounting standards, the impact of this difference on the financial statements of the Corporation is as follows:

a) For the year ended March 31, 2017, an increase to annual surplus of $2,646,000; and,

b) At March 31, 2017, an increase to accumulated surplus and a decrease to contributions of $502,159,000.

c) For the year ended March 31, 2018, an increase to annual surplus of $27,528,000; and,

d) At March 31, 2018, an increase to accumulated surplus and a decrease to contributions of $529,687,000.

Appendix A – Additional Information

Organizational Overview

The British Columbia Housing Management Commission (BC Housing) was created in 1967 to deliver on the provincial government's commitment to the development, management and administration of housing. Through the Licensing & Consumer Services Branch, BC Housing also has responsibilities related to licensing of residential builders, home warranty insurance, and research and education to improve the quality of residential construction and consumer protection.

Our role is to assist British Columbians in greatest need of affordable housing by providing options along the housing continuum. We work in partnership with the private and non-profit sectors, provincial health authorities and ministries, other levels of government and community groups to develop a range of housing options. Our partners have the expertise to identify the appropriate housing needs of their client groups and to deliver the support services needed for successful tenancies.

BC Housing has a Board of Commissioners that is responsible for corporate governance, and an organizational structure with six branches. The "About" page on our website provides more information on our organization: www.bchousing.org/about

Corporate Governance

BC Housing is accountable to the Minister of Municipal Affairs and Housing through a Board of Commissioners appointed by the Lieutenant Governor in Council.

The Board of Commissioners oversees policy implementation and direction and, in cooperation with senior management, sets strategic direction. The board also monitors BC Housing's performance based on the province's planning and reporting principles.

The board delegates responsibility for the day-to-day leadership and management of BC Housing to the CEO. The "Governance" page on our website describes our accountability to government as well as profiles of the Board, its members and committees: www.bchousing.org/about/governance.