

BC Housing

2019/20
Annual Service Plan Report

July 2020



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Published by BC Housing

Board Chair's Accountability Statement



The *BC Housing 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20 – 2021/22 Service Plan* created in February 2019. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Cassie J. Doyle". The signature is written in a cursive, flowing style.

Cassie J. Doyle
Board Chair
July 13, 2020

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Letter from the Board Chair and CEO

We are pleased to submit the BC Housing 2019/20 Annual Service Plan Report. The results described in this report are from commitments in the 2019/20 – 2021/22 Service Plan and align with BC Housing’s [2019/20 Mandate Letter](#) from the Minister of Municipal Affairs and Housing to the Board Chair in February 2019.

Since February 2019, BC Housing has made the following achievements:

- Continued to build new affordable housing in communities across the province through *Building BC* funding programs and the HousingHub;
- Made significant progress on repairs and upgrades to preserve existing social housing stock through the *Capital Renewal Fund*;
- Completed implementation of the governance and oversight review of BC Housing, conducted by the independent firm BDO Canada LLP, and enhanced reporting on housing investments;
- Completed numerous strategy reports with implementation currently underway, including a strategic review of BC Housing’s communications with the goal of raising the public profile of our programs and initiatives, and a review of BC Housing’s leadership, culture, and structure; and
- Renewed the Indigenous Social Housing Management Agreement (ISHMA) with the Aboriginal Housing Management Association (AHMA), representing our joint commitment to continue to improve and prioritize housing conditions through culturally sensitive practices for Indigenous peoples in British Columbia in urban, rural and northern regions.

Towards the end of 2019/20, BC Housing also worked with Emergency Management BC, the Provincial Emergency Coordination Centre, various provincial ministries, health authorities, the non-profit, co-op and Indigenous housing sectors, local governments, and other partners to prepare and respond to COVID-19. With our partners, BC Housing quickly mobilized emergency supports to those who needed them in the face of the pandemic, including vulnerable populations, housing providers, and renters in B.C. Our response to the health emergency was done in addition to our other commitments from the 2019/20 – 2021/22 Service Plan.

BC Housing’s senior leadership engages with the Ministry of Municipal Affairs and Housing on an ongoing basis and through quarterly accountability meetings with the Deputy Minister and Assistant Deputy Minister where performance results are monitored.

In 2019/20, BC Housing welcomed two 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.

Cassie J. Doyle



Board Chair, BC Housing
July 13, 2020

Shayne Ramsay



CEO, BC Housing
July 13, 2020

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s Service Plan.

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 about our corporate governance as well as our mandate, mission, vision, and values can be found on the [BC Housing website](#).

In 2019/20, BC Housing assisted 113,183 households in more than 300 communities across the province, including a growing number of Indigenous communities (on-Nation), through a range of programs, initiatives and partnerships. Assistance ranged 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, co-op and Indigenous housing sectors to deliver most of these programs, including creating 3,274 affordable and supportive housing units. Of these, 3,044 units are created through BC Housing’s development programs, and 230 units through a combination of new rent supplements and units made available for vulnerable populations within existing purchased buildings. Additionally, approximately 8,100 residential builders were licensed, 1,000 owner builders were authorized, and 28,270 new homes were enrolled in home warranty insurance through third-party home warranty insurance providers.

Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister of Municipal Affairs and Housing in 2019 shaped the [2019/20 BC Housing Service Plan](#) and results reported in this annual report.

BC Housing is aligned with the Government’s key priorities:

Government Priorities	BC Housing aligns with these priorities by:
Making life more affordable	<ul style="list-style-type: none"> Creating safe, affordable and functional housing for British Columbians (Goal 1)

Delivering the services people count on	<ul style="list-style-type: none"> • Creating safe, affordable and functional housing for British Columbians (Goal 1) • Supporting a strong non-profit and co-op housing sector (Goal 2)
A strong, sustainable economy	<ul style="list-style-type: none"> • Creating safe, affordable and functional housing for British Columbians (Goal 1) • Supporting a strong non-profit and co-op housing sector (Goal 2) • Enhancing Indigenous partnerships related to housing (Goal 3) • Providing leadership in sustainability and residential construction (Goal 4)

Operating Environment

The investments from Budget 2017 Update, Budget 2018, and Budget 2019 continued to positively impact BC Housing’s 2019/20 operating environment and performance results. BC Housing continued to implement the *Building BC* funding programs: *Rapid Response to Homelessness*, *Affordable Rental Housing*, *Community Housing Fund*, *Women’s Transition Housing Fund*, *Indigenous Housing Fund*, and *Supportive Housing Fund*. BC Housing also implemented housing for people experiencing homelessness through the *Actions on Homelessness* in [TogetherBC: British Columbia’s Poverty Reduction Strategy](#). Partnerships facilitated by HousingHub allowed the creation of new affordable rental housing and homeownership options for middle-income British Columbians.

Significant progress was also made to preserve existing affordable housing through building repairs, maintenance, critical life safety, seismic and fire safety and energy performance upgrades through the *Capital Renewal Fund*.

Fiscal 2019/20 also brought about significant changes to the Executive team, with new Vice Presidents appointed to Human Resources, Communications, Operations and Corporate Services (and Chief Financial Officer), including the creation of the Associate Vice President – Strategic Business Operations and Performance role which focuses on equity and corporate performance.

On March 17, 2020, the Provincial Health Officer declared a public health emergency, followed by the declaration on March 18, 2020 by Honourable Mike Farnworth, Minister of Public Safety and Solicitor General of the provincial state of emergency. In response, BC Housing activated the Pandemic Plan in our Business Continuity Plan. Commitments from the 2019/20 Service Plan continued to be delivered as well as the additional work required to respond to the health emergency affecting the vulnerable populations served by our programs.

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

- Increasing numbers of people experiencing homelessness and the opioid crisis underscored BC Housing’s work with Ministry partners to implement the housing-related initiatives identified in the Poverty Reduction Strategy (*TogetherBC*) and the Mental Health and Addictions Strategy (*Pathway to Hope*). To build acceptance and support for new supportive housing, BC Housing delivered a variety of community engagement

events and listened to and responded to community concerns. In response to the public health emergency, a strategy to support physical distancing at shelters and other forms of congregate living was rapidly initiated across the province in partnership with local health authorities by the activation of Emergency Response Centres.

- British Columbia experienced continued pressure on housing affordability, especially for low- to medium-income households in the major urban centres. BC Housing implemented the *Building BC* programs and initiated HousingHub projects across the province with new partners, including all levels of government, non-profit organizations, and the private sector, with the goal of building capacity and becoming a catalyst for new affordable housing development.
- 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 continues to be committed to the reconciliation process and recognizes that our decisions and operations impact the lives of many Indigenous peoples.
- Operational efficiency and performance risks were addressed through our Human Resources' People Strategy and our Information Management and Technology Strategies (IMT). The People Strategy guides employee engagement and workload requirements to support the development and delivery of new affordable housing programs and projects over the fiscal year and is incorporating Gender-Based Analysis Plus (GBA+) in its evolution. The IMT strategies actively monitor and respond to growing cyber security risks and ensure the efficient delivery of programs; these strategies were expanded in this past fiscal year to extend support to our sector partners.
- BC Housing initiated work on applying an equity analysis more broadly across the organization as it relates to our strategic direction. This will be applicable to our internal organization functions and our work along the housing continuum.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Create safe, affordable and functional housing for British Columbians.

Safe, affordable and functional housing is the foundation of healthy people, families and communities. This goal describes BC Housing's contribution to making life more affordable for British Columbians through increasing the supply of affordable housing, including rental, non-profit, co-op and owner-purchase housing.

BC Housing implements government investment in the creation of new affordable social and supportive housing for people in need, including families, seniors, youth, people with disabilities, Indigenous peoples, those experiencing homelessness and at risk of homelessness, and women and children leaving abusive relationships. In addition to direct investment into new supply, BC Housing will also develop, facilitate and support partnerships across the housing sector through the HousingHub to encourage more affordable housing supply for middle income households, sometimes referred to as the "missing middle".

Objective 1.1: Deliver on provincial investment and financial assistance to increase the supply of affordable, social and supportive housing.

BC Housing implements a range of programs that deliver on provincial investments into the creation of new affordable, social and supportive housing for low- to moderate-income earners, including families, seniors, youth, people with disabilities, Indigenous peoples, those experiencing homelessness and at risk of homelessness, and women and children fleeing violence. This is carried out through [Building BC](#) programs such as the [Community Housing Fund](#), [Women's Transition Housing Fund](#), [Indigenous Housing Fund](#), and [Supportive Housing Fund](#).

Key Highlights

- Continued to deliver *Building BC* housing programs through partnerships with non-profit, co-operative, community and Indigenous organizations. This involved progressing initiated projects through development and construction phases and completing projects.
- Responded to and prevented homelessness by 1) implementing emergency shelter and supportive housing options, including creating modular homes for people experiencing homelessness through funding approved as part of the *Actions on Homelessness in TogetherBC: British Columbia's Poverty Reduction Strategy*, 2) collaborating with provincial ministries, including planning/initial implementation of the 2020 Report on Homeless Counts in B.C., and 3) continuing to identify youth and Indigenous peoples as a key target group for program innovation and enhancement.
- Facilitated community dialogue and engagement to help advance social housing projects, supported by integrated research and engagement strategies.
- Through the *Canada Mortgage and Housing Corporation – British Columbia Bilateral Agreement under the 2017 National Housing Strategy*, developed an action plan to deliver cost-matched funding, and completed the design of a new housing benefit program for launch in 2020/21.

- Delivered financial assistance to low-income seniors and working families in the private market through [Shelter Aid for Elderly Renters program](#) and [Rental Assistance Program](#).
- Improved the physical accessibility of homes for low-income seniors and people with disabilities through the [Home Adaptations for Independence Program](#).
- Ensured effective management and maintenance of BC Housing’s directly managed housing stock including strategic redevelopment opportunities.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.1a Number of households that benefit from provincial housing programs for affordable and supportive housing ¹	110,464	116,094	113,183	121,203	126,132
1.1b Number of affordable and supportive housing units completed, including affordable rental and social housing ²	4,180	3,035	3,274	4,626	4,736
1.1c Number of households receiving rental assistance in the private market ³	33,494	36,500	33,976	38,000	38,250

Data source:

¹BC Housing. Over 70 programs feed into this count including programs identified in 1.1c. This performance measure was removed in the 2020/21 – 2022/23 Service Plan.

²BC Housing’s Central Property System database. The 2020/21 and 2021/22 Targets have changed in the 2020/21 – 2022/23 Service Plan.

³BC Housing. This measure includes two programs: *Shelter Aid for Elderly Renters* and *Rental Assistance Program*. The 2020/21 and 2021/22 Targets have changed in the 2020/21 – 2022/23 Service Plan.

Discussion of Results

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.

The target for number of households that benefit from provincial housing programs for affordable and supportive housing units (Performance Measure 1.1a) was not reached in the 2019/20 fiscal year. This is due to the target for number of households receiving rent assistance (Performance Measure 1.1c) not being achieved.

In 2019/20, BC Housing created 3,274 new units of housing in 47 communities across the province, surpassing the overall combined target of 3,035.

Of these new units, 3,044 were created through BC Housing’s development programs including: 38 units under *Affordable Rental Housing*, 404 units under *Rapid Response to Homelessness*, 134 units under *Deepening Affordability*, 52 units under the *Community Housing Fund*, eight units under the *Women’s Transition Housing Fund*, 974 units under *Provincial Rental Supply*, and 109 units of modular housing from funding approved as part of the *Actions on Homelessness* in *TogetherBC: British Columbia’s Poverty Reduction Strategy*. An additional 230 units were

created through a combination of new rent supplements and units made newly available for vulnerable populations within existing purchased buildings.

The target for number of households receiving rental assistance in the private market (Performance Measure 1.1c) was not reached due to the number of new applications being lower than expected following enhancements in September 2018 to the *Rental Assistance Program* and *Shelter Aid for Elderly Renters* program. The *Rental Assistance Program* provides eligible low-income working families with cash assistance to help with their monthly rent payments in the private market. Similarly, the *Shelter Aid for Elderly Renters* program provides monthly assistance to eligible B.C. residents who are age 60 or over and who pay rent for their homes in the private market. Applicants of both programs must meet eligibility criteria.

While the target was not met, the program enhancements assisted approximately 1,250 new households by making rents more affordable since the enhancements were implemented, as well as increased the monthly subsidy amounts for all 33,976 households receiving rental assistance by up to 10%.

Outreach and communications activities are in place to help ensure that more eligible households are aware of the programs.

Objective 1.2: Facilitate partnerships through the new HousingHub to create market-based and affordable housing for middle income and working households.

The HousingHub is an office within BC Housing created to build partnerships and affordable homes where British Columbians are currently seeing a gap. The HousingHub works with community, government, non-profit and private-sector partners to facilitate the creation of new affordable rental housing through the *Provincial Rental Supply* program, and homeownership options through the *Affordable Home Ownership Program*. The HousingHub works collaboratively with an array of partners to facilitate the partnership of suitable land, equity, low-cost financing and development expertise to create homes for middle-income British Columbians.

Key Highlights

- Actively pursued partnerships in areas experiencing affordability issues for middle income and working households.
- Worked with local governments to facilitate projects, e.g., by reducing parking requirements, waiving development cost charges, or encouraging community amenity contribution, fees or property taxes, and accelerating permitting and approval processes.
- Helped enable access to provincial land for affordable housing and offered low-cost financing.
- Implemented cost-match funding from the *Canada Mortgage and Housing Corporation-British Columbia Bilateral Agreement under the 2017 National Housing Strategy* to support the development of additional HousingHub units.

Discussion of Results

The objective relates to how BC Housing can better support the work of the community housing sector to create more affordable housing that does not require ongoing government financial assistance or subsidies. The HousingHub was identified in *Homes for B.C.: A 30 Point Plan for Housing Affordability in British Columbia* and was established in the 2018/19 fiscal year. BC Housing identifies and advances innovative approaches to create market-based and affordable housing both for rent and for purchase.

Progress was made on creating new affordable units through the HousingHub in 2019/20. Approximately 28 projects were initiated, totaling more than 1,920 units of affordable housing. These projects will be completed in future years.

A new performance measure was created for this objective in the 2020/21 – 2022/23 Service Plan.

Goal 2: Support a strong non-profit and co-op housing sector.

The non-profit and co-op housing sector is a critical partner in the delivery of affordable housing in British Columbia, especially in the context of significant new provincial investments through *Building BC* programs. The sector has grown in both size and sophistication, and its positive impacts in communities through the provision of affordable housing are considerable. In B.C., as well as nationally, a culture of innovation, social entrepreneurship and business transformation is emerging within the sector.

The goal is to support capacity in the non-profit sector to enable successful transformation and support management of challenges that emerge with an unprecedented level of growth and change. The goal also encompasses examining BC Housing's policies and practices to identify how they can be improved to better support a strong sector.

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

This objective focuses on ongoing collaboration and dialogue to identify current challenges, opportunities, new practices and processes to better support housing provider capacity. Work to support this objective is carried out at the sector-wide level through partnerships with Housing Partnerships Canada and BC Non-Profit Housing Association, for example, as well as ongoing relationships with over 800 housing providers across the province. These day-to-day relationships involve the development of new housing projects and the administration of operating agreements for existing housing, e.g., budget setting, financial and operational reviews.

Key Highlights

- Collaborated with sector organizations, including the BC Non-Profit Housing Association (BCNPHA), Co-op Housing Federation of BC (CHF BC) and Aboriginal Housing Management Association (AHMA), to identify ways that BC Housing can further support sector capacity through education, training and research.

- Consulted with the sector on enhancements to BC Housing’s operational review process, including governance.
- Provided support to the sector with respect to cyber security and IT management.
- Reviewed existing social housing operating agreements and programs to provide greater flexibilities and tools to non-profits to support long-term sustainability.

Performance Measure	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.1 Percentage of non-profit housing provider financial reviews carried out by BC Housing within five months from date of BC Housing receiving the financial review results from the non-profit housing provider ¹	70%	70%	72%	70%	70%

Data source:

¹This measure is gathered by BC Housing as part of the operational review process with housing providers. This performance measure is currently under review.

Discussion of Results

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 2019/20, we exceeded the target by two percentage points, with 72 percent of the financial reviews completed within the five-month timeframe.

Objective 2.2: Deliver new provincial government investments to help protect existing social housing.

This objective focuses on the capital renewal and long-term rehabilitation needs of the approximately 60,000 social housing units¹ in B.C., and new provincial funding targeted for capital renewal of the existing social housing stock.

The average age of the social housing stock is approximately 35 years, and many buildings are approaching a time when major building components require replacement or repair. Therefore, while increasing the supply of housing is an important focus of the province and BC Housing, it is equally important that existing social housing be maintained to ensure it remains in good condition for current and future residents, to meet targets for GHG emission reductions, and to ensure that the public investment in the infrastructure is protected. BC Housing addresses this priority by working with housing providers to identify priority capital renewal projects, and by providing funding for maintenance and rehabilitation through various programs.

¹ Social housing is defined as a housing development that government subsidizes and that either government or a non-profit housing partner owns and/or operates.

Key Highlights

- Allocated and spent provincial funding for capital renewal of the existing social housing stock.
- Continued supporting the preservation of existing affordable housing stock, including subsidized and private rental units. Funding was used to:
 - Prevent the condition of social housing buildings from deteriorating; and
 - Carry out needed seismic, life and safety and energy performance improvements.
- Implemented the action plan to deliver cost-matched funding through the *Canada Mortgage and Housing Corporation – British Columbia Bilateral Agreement under the 2017- National Housing Strategy*.

Performance Measure	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.2 Facility condition index ¹	21%	16% to 21%	17%	16% to 21%	16% to 21%

Data source:

¹Physical 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.

Discussion of Results

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 as 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, 2020, results indicated a portfolio FCI rating of 17 percent, which is within the targeted range of 16 to 21 percent. The result of 17 percent for the social housing stock consists of:

- 24 percent for the directly managed portfolio, and;
- 16 percent for the non-profit portfolio.

On average, buildings in BC Housing’s directly managed portfolio are older than those in the non-profit housing sector.

Key factors which contributed to achieving our target include:

- Improvements in the quality of life and safety of the homes for tenants in over 367 sites across the province;
- \$128.7 million of capital spending for maintenance and rehabilitation of buildings, which has increased substantially over the last five years from \$26.5 million in 2015/16;

- Significant efforts by BC Housing and BCNPHA to increase capacity for asset management and facility maintenance, including capital planning courses and resources for housing providers; and
- Improved accuracy of calculations made possible by updates to BC Housing's data and systems and collaboration with housing providers.

Goal 3: Enhance Indigenous partnerships and relationships.

In line with the Province's commitment to reconciliation and implementation of the *Declarations of the Rights of Indigenous Peoples Act*, BC Housing works in partnership with Indigenous communities and organizations to help create more affordable housing and to increase self-reliance in the Indigenous housing sector. Recognizing the over-representation of Indigenous peoples within the homeless population and in housing that is not adequate nor affordable, these are two areas of focus for BC Housing.

In 2018/19, British Columbia became the first province in Canada to invest provincial housing funds in Indigenous communities including on-Nation and Treaty Nations through opportunities provided by *Building BC* programs and significant new levels of provincial housing investments. With this change BC Housing is developing new relationships with First Nation communities and Indigenous peoples across the province to create affordable housing.

BC Housing has begun the development of a reconciliation strategy as part of our commitment to adopt policies and practices based on the *United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)* and the *Calls to Action of the Truth and Reconciliation Commission (TRC)* within our specific mandate and context.

Objective 3.1: Facilitate opportunities that increase a self-reliant Indigenous housing sector.

BC Housing has been working with Indigenous partners to create affordable housing since the Commission was created over 50 years ago, with relationships evolving significantly over time. This objective reflects BC Housing's changing role and how it can take further steps to listen and help build capacity and self-reliance within the Indigenous housing sector, including how existing provincial housing programs and services can be improved. Partnerships at all levels mean engaging widely with Indigenous communities and First Nations, Aboriginal Housing Management Association (AHMA) and other Indigenous leadership organizations to help facilitate change.

Key Highlights

- Collaborated with AHMA to increase affordable housing options, improve housing conditions and build a strong Indigenous housing sector. A key aspect of this collaboration stems from the *Indigenous Social Housing Management Agreement* between AHMA and BC Housing signed in 2019.
- Initiated the development of a reconciliation strategy to create a broader and more meaningful framework for how we do business and strengthen the level of commitment related to our adoption of *UNDRIP* and *TRC* recommendations.

- Collaborated with Indigenous partners to create new housing through *Building BC* programs: *Community Housing Fund*, *Supportive Housing Fund*, *Indigenous Housing Fund*, and *Women’s Transition Housing Fund*.
- Created financing options for new housing development projects in First Nations communities.
- Helped improve housing conditions in First Nation communities through partnerships in asset management, capital planning and homeowner education.
- Developed and delivered education and training sessions to BC Housing staff and partners on implementing *UNDRIP* and *TRC* recommendations, specifically as these apply to the delivery of housing.
- Leveraged opportunities to promote employment, skills training and business development for Indigenous peoples through the delivery of our program and business activities, including increasing the number of Indigenous employees at BC Housing.

Performance Measure	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1 Progressive Aboriginal Relations (PAR) certification ¹	Gold	Gold	Gold	Gold	Gold (Recertification Year)

Data source:

¹The Canadian Council for Aboriginal Business.

Discussion of Results

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 (CCAB). CCAB assesses our commitment to the Indigenous sector in four areas: leadership; employment; business development; and community relationships. 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 in all business areas. BC Housing’s current plans, initiatives and collaboration efforts support the goal of continual improvement each year. BC Housing’s Gold certification result demonstrates an active and ongoing commitment to supporting the Indigenous housing sector and our Indigenous housing partners. The next certification process will occur again in 2021. Benchmarking is conducted on a national level against other Canadian companies participating in the PAR Certification program.

Goal 4: Leadership in residential construction and sustainability.

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 to promote consumer protections related to the quality of residential construction. We also

initiate [technical research and education](#) projects promoting the durability, sustainability and resiliency of new residential construction.

Through the [livegreen Housing Sustainability Plan](#), we provide leadership in sustainability and play an important role in supporting the provincial CleanBC plan. As demonstrated in our [Carbon Neutral Action Report](#), we have made progress against reducing our greenhouse gas emissions and environmental footprint. We are also actively working towards mobilizing building adaptation and resiliency within the construction industry in order to respond to the climatic changes already occurring and forecasted to occur in the decades ahead, such as increasing temperatures, changes in precipitation patterns, or sea levels rising.

Objective 4.1: Promote consumer protections and compliance with the *Homeowner Protection Act*.

This objective focuses on our responsibility to strengthen consumer protection for buyers of new homes and to work with the industry to improve the quality of residential construction.

Key Highlights

- Continued to implement, refine and streamline the builder qualification system and owner builder exemption.
- Continued to identify improvements to warranty provisions of the *Homeowner Protection Act* regulation to strengthen consumer protections.
- Identified further opportunities, such as manufactured housing and home renovations, to improve consumer protection measures.

Performance Measure	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
4.1 Builders’ rating of the effectiveness of compliance efforts to monitor and enforce licensing and home warranty insurance requirements, and the owner-builder exemption regarding home warranty insurance ¹	82%	80% or higher	86%	80% or higher	80% or higher

Data source:

¹Annual Licensed Residential Builder Survey.

Discussion of Results

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 an area for business improvement, and strategic initiatives underway to enhance compliance efforts each year over the three-year service planning period.

The 2019/20 survey results are higher than 2018/19 with 86 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.

Objective 4.2: Environmental leadership in the housing sector.

BC Housing is committed to work towards increasing the efficiency of social housing buildings and reducing greenhouse gas pollution. In collaboration with the residential construction industry, non-profit housing sector, the utilities and other partners, BC Housing is engaged in building innovation and energy efficiency in new construction, energy conservation initiatives for existing buildings, green building technologies and energy conservation training and education, and increasingly in incorporating building adaptation measures in order to support building and community resiliency.

As well, through the *livegreen* Housing Sustainability Plan, we encourage and take a leadership role in promoting sustainability and supporting the provincial CleanBC plan. The objective statement has been changed since the previous Service Plan to reflect our role in supporting the CleanBC 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. Our key strategies under this objective support and align with the CleanBC plan.

A review of BC Housing’s current *livegreen* sustainability strategy was completed in 2019/20 in response to the provincial government’s new CleanBC plan, as well as it being the tenth year of the *livegreen* sustainability strategy. The review identifies opportunities for BC Housing to help create sustainable and resilient communities through our business activities, leading to the development of a new sustainability plan for BC Housing in the coming year.

Key Highlights

- Promoted energy efficient, low carbon and resilient approaches and sustainability in affordable housing created through our programs, including adoption of the higher steps of the BC Energy Step Code.
- Supported the improvement and preservation of existing social housing stock through energy retrofits and building envelope upgrades.
- Built capacity within the construction industry and social housing sectors through research and education to integrate adaptive and resilient solutions into building design and renovation.
- Initiated technical projects in partnership with industry and government related to the quality and sustainability of residential construction.
- Completed a review of our *livegreen* Housing Sustainability Plan in the context of the Province’s CleanBC plan.

Performance Measure	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
4.2 Percent reduction in greenhouse gas emissions from 2005 levels ¹	34%	Reduction of 25% to 30%	36%	Reduction of 30% to 35%	Reduction of 30% to 35%

Data source:

¹Provided 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 2018 are reported in the 2018/19 column. This performance measure, along with the 2020/21 and 2021/22 targets were changed in the 2020/21 – 2022/23 Service Plan.

Discussion of Results

This measure tracks our progress in reducing Greenhouse Gas (GHG) emissions and maintaining a carbon neutral status as required by the *Climate Change Accountability Act* (formerly 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 25 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 consider anticipated changes to the housing portfolio. Annual targets are comparisons to GHG emission levels from 2005 level (they are not cumulative) and take into account anticipated changes to the housing portfolio over the three-year Service Plan period.

In 2019, 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 36 percent from the 2005 level, significantly exceeding the annual reduction target range. 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 2019 GHG emissions from buildings were 23,266 tonnes of CO₂e². This represents a 36 percent decrease in emissions compared to the 2005 baseline year and means there has been a two percent decrease in emissions in 2019 compared to 2018. This is due to a milder winter in 2019 in many areas of the province, resulting in less energy used for heating.

² CO₂e is an abbreviation for carbon dioxide equivalent.

Financial Report

Discussion of Results

In 2019/20, BC Housing's revenues and expenditures totaled \$1.30 billion, an increase of \$49.1 million over 2018/19. Services to improve housing options for British Columbians includes housing supports for the most vulnerable, affordable rental housing options for low income families and seniors, as well as consumer protection and improved quality of residential construction in the private market. In total, 113,183 households were assisted, an increase of over 2,718 from the previous year.

Highlights

BC Housing continued to implement the *Building BC* programs: *Rapid Response to Homelessness*, *Affordable Rental Housing*, *Community Housing Fund*, *Supportive Housing Fund*, *Women's Transition Housing Fund* and the *Indigenous Housing Fund*. Compared to the previous year, in 2019/20 BC Housing provided additional capital funding to non-profit housing societies mainly through the *Building BC* programs to develop affordable rental housing units for independent families and seniors, and Indigenous people. Additional capital funding was also provided to maintain the existing housing stock in good condition.

An additional \$29.3 million of operating funding was provided to non-profit housing societies in 2019/20 to support the day-to-day operations of projects under *Building BC* programs when they became operational and also provided support services to meet clients' needs.

Budget 2019 continued to provide funding for enhancements to *Shelter Aid for Elderly Renters* (SAFER) and *Rental Assistance Program* (RAP). While actual results were lower than budget, in 2019/20 a total of 482 new households received rent assistance through these two programs compared to 2018/19.

Financial Summary¹

(\$000)	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Variance
Revenue				
Provincial Share ²	1,089,248	1,237,934	1,117,896	(120,038)
Federal Share	92,164	160,377	114,908	(45,469)
Other ³	65,570	50,707	63,305	12,598
Total Revenue	1,246,982	1,449,018	1,296,109	(152,909)
Expenses				
Grants	523,178	654,047	502,378	(151,669)
Housing Subsidies	454,879	480,558	507,195	26,637
Rental Assistance	126,434	157,080	131,272	(25,808)
Salaries and Labour	64,064	74,062	71,045	(3,017)
Operating Expenses	26,091	27,545	26,806	(739)
Building Maintenance	20,508	24,528	24,378	(150)
Office and Overhead	12,459	12,545	14,198	1,653
Utilities	8,993	9,297	8,488	(809)
Grants in lieu of Property Taxes	7,976	8,132	7,718	(414)
Research and Education	2,275	1,174	2,204	1,030
Interest Expense	97	50	404	354
Total Expenses	1,246,954	1,449,018	1,296,086	(152,932)
Net Income	28	0	23	23
Total Liabilities⁴	723,077	646,538	646,538	0
Capital Expenditures	6,509	5,000	5,885	885
Accumulated Surplus	195,435	196,605	186,298	(10,307)

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles;

Note 2: In 2019/20 this includes funding of \$642.5 million for operating and capital expenses, \$446.1 million from the Housing Priority Initiatives Special Account, \$12.9 million from the Housing Endowment Fund, \$16.4 million from other partnering agencies;

Note 3: This includes tenant rent and revenues from other sources including builder licensing fees.

Note 4: This reporting has been adjusted: it reflected BC Housing's borrowing from the Province prior to 2019/20 and now reports BC Housing's total liabilities.

Variance and Trend Analysis

Revenues

The Financial Summary table shows BC Housing's actual revenues totalled \$1.30 billion in 2019/20, which is \$153.0 million less than the 2019/20 budget, and \$49.1 million more than the previous year. These variances reflect changes in provincial revenue, federal revenue, and other revenue.

Provincial Revenue

Provincial revenue decreased by \$120.0 million compared to the 2019/20 budget and increased by \$28.6 million compared to the previous year. The budget variance is primarily due to the re-allocation to future years of project construction grants to align with construction schedule changes, and to the reduction of available funding from the *Housing Priority Initiatives Special Account*. The majority of the year over year increase is attributed to increased construction grants to projects under the *Building BC* programs, *Capital Renewal Fund* to existing housing owned by non-profit housing providers, and the enhancements to the RAP and SAFER programs. These increases were offset by the reduction of *Deepening Affordability* grants which were fully allocated in 2018/19 as well as the reduction of construction grants required for *Rapid Response to Homelessness* program as the majority of these projects are complete or near completion.

Federal Revenue

Federal revenue decreased by \$45.5 million compared to the 2019/20 budget and increased by \$22.7 million compared to the previous year. Lower than budgeted contributions under the *Social Housing Agreement (SHA)* accounts for the budget variance. This variance will reverse over the remaining term of the agreement. The year over year variance is due to increased SHA contributions, as well as funding under the *Canada Mortgage and Housing Corporation – British Columbia Bilateral Agreement under the 2017 National Housing Strategy* which started in 2019/20. These increases are partially offset by the expiry of *Investment in Affordable Housing Extension* in 2018/19.

Other Revenue

Other revenue increased by \$12.6 million compared to the 2019/20 budget and decreased by \$2.3 million compared to the previous year. The majority of the budget variance was due to increased interest revenue, while other small increases including tenant rent, commercial rent, external partner contributions, and other miscellaneous revenues. The year over year variance was mainly due to decreased interest revenue.

Expenditures

The Financial Summary table shows BC Housing's actual expenditures totalled \$1.30 billion in 2019/20, which is a decrease of \$152.9 million compared to the 2019/20 budget, and an increase of \$49.1 million compared to the previous year. Major variances include:

Grants

Grants decreased by \$151.7 million compared to the 2019/20 budget and by \$20.8 million compared to the previous year.

Grants were lower than budget primarily due to the reduction of funding for grants from the *Housing Priority Initiative Special Account* and to changes in the construction schedules for provincially owned capital projects. Lower than expected applications for the *Home Adaptions for Independence* program also attributed to the budget variance. These lower than budgeted grants were partially offset by higher spending in delivering units under the *Rapid Response to Homelessness* and *Indigenous Housing Fund* programs.

The year over year variance saw significant increases to construction grants provided to non-profit housing societies under the *Capital Renewal Fund*, *Community Housing Fund*, and *Indigenous Housing Fund* programs. Other increases include new funding under the *Canada Mortgage and Housing Corporation – British Columbia Bilateral Agreement under the 2017 National Housing Strategy* and *Actions on Homelessness in TogetherBC: British Columbia's Poverty Reduction Strategy*. These increases for grants in new programs were partially offset by the 2018/19 allocation of the *Deepening Affordability* grants, and a reduction in grants under the *Rapid Response to Homelessness* and *Supportive Housing Fund* programs.

Housing Subsidies

Housing Subsidies increased by \$26.6 million compared to the 2019/20 budget and by \$52.3 million compared to the previous year. The budget variance resulted from the high demand for housing and services to support people who are experiencing homelessness or at risk of homelessness which includes supportive housings units and shelter spaces. Higher costs were also seen in services for women and children leaving violence. These increases were partially offset by lower subsidies paid under the *Rapid Response to Homelessness* program due to delayed operating start dates as a result of project construction completing later than anticipated. The increase from the previous year was mostly driven by additional shelter spaces and improved services in supportive housing units. New projects in the *Rapid Response to Homelessness* program that became operational in 2019/20 also attributed to the year over year increase.

Rental Assistance

Rental Assistance decreased by \$25.8 million compared to the 2019/20 budget and increased by \$4.8 million compared to the previous year. The variance to budget is due to fewer clients than anticipated receiving rental assistance under the *Shelter Aid for Elderly Renters (SAFER)* program and the *Rental Assistance Program (RAP)*. During the year, the number of clients receiving SAFER assistance increased at a lower rate than budgeted while the number of clients receiving RAP assistance decreased. In both programs the annual benefit received by individual clients increased over the prior year due to the program enhancements implemented in September 2018.

Salaries and Labour

Salaries and Labour decreased by \$3.0 million compared to the 2019/20 budget and increased by \$7.0 million compared to the previous year. Delays in hiring staff required to deliver programs were the main reason of the budget variance. The roll-out of *Building BC* programs required expanding the workforce to ensure success, and accounts for the increased staffing costs year over year.

Building Maintenance

Building Maintenance increased by \$3.9 million compared to the previous year. Increasing costs to maintain BC Housing's aging housing stock and additional funding to maintain the sponsoring ministry group home portfolio contributed to the variances.

Office and Overhead

Office and Overhead increased by \$1.6 million compared to the 2019/20 budget and by \$1.7 million compared to the previous year. The variances are mainly due to consulting expenses related to the provincial homeless count, recruitment costs for new hiring, increased IT requirements, and the newly implemented Employer Health Tax.

Research and Education

Research and Education increased by \$1.0 million compared to the 2019/20 budget. Additional revenues received from external funding partners provided additional funding for industry research and studies.

Risks and Uncertainties

The recent declaration of a public health emergency due to the COVID-19 virus outbreak may have significant impact to BC Housing in terms of both reduced rent revenues and increased expenditures. Expenditures are expected to increase, especially in supportive housing projects in order to comply with the Provincial Health Officer's recommendations of maintaining physical distancing, self-isolation, and strict cleaning protocols during the pandemic.

Other risks and uncertainties to operating costs 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. Growing trade shortages and rising constructions costs are risks to new project development.

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 22, 2020. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

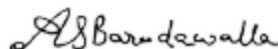
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel 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



Abbas Barodawalla
Vice President of Corporate Services
and Chief Financial Officer

May 22, 2020



Independent auditor's report

To the Board of Commissioners of British Columbia Housing Management Commission and Minister of Municipal Affairs and Housing, Province of British Columbia.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of British Columbia Housing Management Commission (the Commission) as at March 31, 2020 and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Commission's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement losses for the year then ended;
- the statement of changes in net financial assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 22, 2020

British Columbia Housing Management Commission

Statement of Financial Position

	March 31 2020 (\$000's)	March 31 2019 (\$000's)
Financial Assets		
Cash	\$ 11,504	\$ 378,812
Portfolio investments (Note 3)	89,332	94,626
Receivables (Note 4)	18,393	15,859
Due from Province of British Columbia (Note 16)	5,995	11,042
Due from Canada Mortgage and Housing Corporation	12,852	6,381
Construction loans to housing projects (Note 4)	595,166	319,687
Mortgages receivable (Note 5)	42,244	39,062
	<u>775,486</u>	<u>865,469</u>
Liabilities		
Accounts payable and accrued liabilities	82,706	84,953
Deferred revenue (Note 6)	177,579	159,579
Due to Provincial Rental Housing Corporation (Note 16)	11,941	113,855
Tenants' prepaid rent	1,425	1,104
Due to Provincial Treasury (Note 7)	4,993	5,000
Society funds held on deposit (Note 8)	19,889	18,084
Construction grants payable (Note 9)	344,497	336,793
Social Housing Agreement Reserves (Note 10)	3,508	3,709
	<u>646,538</u>	<u>723,077</u>
Net financial assets	<u>128,948</u>	<u>142,392</u>
Non-financial assets		
Prepaid expenses and housing subsidies	42,875	38,534
Tangible capital assets (Note 11)	14,475	14,509
	<u>57,350</u>	<u>53,043</u>
Accumulated surplus	<u>186,298</u>	<u>195,435</u>
Accumulated surplus comprises:		
Accumulated surplus from operations	201,286	201,263
Accumulated remeasurement loss	(14,988)	(5,828)
	<u>\$ 186,298</u>	<u>\$ 195,435</u>

Commitments (Note 15)
Contingencies (Note 18)
Impact of 2019 Coronavirus Disease (COVID-19) (Note 20)

On behalf of the Board of Commissioners:



Cassie Doyle, Chair

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Operations

Year Ended March 31	2020 Budget (\$000's)	2020 Actuals (\$000's)	2019 Actuals (\$000's)
	(Note 12)		
Revenue			
Provincial contributions	\$ 1,237,934	\$ 1,117,896	\$ 1,089,248
Federal contributions	160,377	114,908	92,164
Tenant rent	31,411	32,829	32,298
Other	15,296	25,911	27,333
Portfolio investment income	4,000	4,565	5,939
	<u>1,449,018</u>	<u>1,296,109</u>	<u>1,246,982</u>
Expenses			
Grants	654,047	502,378	523,178
Housing subsidies	480,558	507,195	454,879
Rental assistance	157,080	131,272	126,434
Salaries and labour	74,062	71,045	64,064
Operating expenses	27,545	26,806	26,091
Building maintenance	24,528	24,378	20,508
Office and overhead	12,545	14,198	12,459
Utilities	9,297	8,488	8,993
Grants in lieu of property taxes (Note 13)	8,132	7,718	7,976
Research and education	1,174	2,204	2,275
Interest expense	50	404	97
	<u>1,449,018</u>	<u>1,296,086</u>	<u>1,246,954</u>
Annual surplus from operations		<u>23</u>	<u>28</u>
Accumulated surplus from operations at beginning of year		<u>201,263</u>	<u>201,235</u>
Accumulated surplus from operations at end of year		<u>\$ 201,286</u>	<u>\$ 201,263</u>

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Cash Flows

Year Ended March 31	2020 (\$000's)	2019 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 23	\$ 28
Adjustments to determine cash flows:		
Changes in non-cash working capital (Note 14)	(94,139)	(82,042)
Portfolio investment income	(4,565)	(5,939)
Discount on loan receivable	(109)	(245)
Depreciation of tangible capital assets	5,919	4,822
	(92,871)	(83,376)
Capital transactions		
Tangible capital asset additions net of disposal	(5,885)	(6,509)
Investing transactions		
Construction loans provided to housing projects	(275,479)	(78,164)
Cash redemption from short-term investment	543	27,829
Cash used for short-term investment	(31)	(26,500)
New mortgage provided	(11,515)	(10,393)
Mortgage payment received	8,442	29,975
	(278,040)	(57,253)
Financing transactions		
New grants approved for construction	484,903	491,337
Grants used for construction	(477,199)	(500,728)
Loans provided from Provincial Treasury	274,904	73,097
Repayment to Provincial Treasury	(274,911)	(93,125)
Social Housing Agreement Reserves	(13)	(12)
Additions to society funds	3,426	2,249
Society funds used for project	(1,622)	(8,515)
	9,488	(35,697)
Decrease in cash	(367,308)	(182,835)
Cash, beginning of year	378,812	561,647
Cash, end of year	\$ 11,504	\$ 378,812

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Remeasurement Losses

Year Ended March 31	2020 (\$000's)	2019 (\$000's)
Accumulated remeasurement loss, beginning of year	\$ (5,828)	\$ (4,630)
Amount released to statement of operations	-	60
Unrealized loss attributable to portfolio investments	(9,160)	(1,258)
Net remeasurement changes for the year	(9,160)	(1,198)
Accumulated remeasurement loss, end of year	\$ (14,988)	\$ (5,828)

Statement of Changes in Net Financial Assets

Year Ended March 31	Budget (\$000's) (Note 12)	2020 (\$000's)	2019 (\$000's)
Annual surplus from operations		\$ 23	\$ 28
Net remeasurement changes for the year		(9,160)	(1,198)
		(9,137)	(1,170)
Depreciation of tangible capital assets		5,919	4,822
Disposal of tangible capital assets		-	8
Acquisition of tangible capital assets	(5,000)	(5,885)	(6,517)
		34	(1,687)
Acquisition of prepaid expenses and housing subsidies		(454,698)	(409,033)
Use of prepaid expenses and housing subsidies		450,357	408,919
		(4,341)	(114)
Changes in net financial assets for the year		(13,444)	(2,971)
Net financial assets, beginning of year		142,392	145,363
Net financial assets, end of year		\$ 128,948	\$ 142,392

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

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 must 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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

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 (see Note 11). Computer software includes desktop applications, server applications and enterprise applications which is depreciated over a three-year, five-year and 10-year amortization period respectively. Computer hardware includes photocopier hardware, server hardware, datacentre and communication hardware and are depreciated on a three-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 trustee 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 61,907 active plan members and approximately 47,892 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 \$5,606,063 for employer contributions to the Plan in fiscal 2019/20 (2018/19: \$5,027,111).

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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

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 statement of operations and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement 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.

3. Portfolio Investments

The Commission 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 five 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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

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 2019/20, the allowance totalled \$4,381,000 (2018/19: \$3,960,000). 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 advances approved interim construction loan draws to both non-profit housing providers and developers under the social housing and market rental housing programs. The loan advances are repaid upon project construction completion and arrangement of long-term takeout mortgages with CMHC NHA approved lenders. The average period of construction financing ranges from eighteen to thirty-six months depending on the magnitude of the project. Borrowers are charged interim interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The current average yield for the year 2019/20 is 2.11% (2018/19: 1.95%). The allowance for construction loans to housing projects for fiscal 2019/20 totalled \$9,300,000 (2018/19: \$8,812,000).

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, 2020, the total value of construction financing mortgages receivable was \$14,019,000 (2018/19: \$9,645,000). 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 assisted 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 20 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%. 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 at March 31, 2020, the total value of the loans receivable was \$28,150,000 (2019: \$29,342,000).

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

6. Deferred Revenue

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

	2019 (\$000's)	Contributions Received (\$000's)	Revenue Recognized (\$000's)	2020 (\$000's)
Provincial Contributions	\$ 70,659	\$ 627,254	\$ (630,965)	\$ 66,948
Canada Mortgage and Housing Corporation	88,760	136,435	(114,908)	110,287
Other Agencies	160	1,536	(1,352)	344
	\$ 159,579	\$ 765,225	\$ (747,225)	\$ 177,579

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 rate minus 1.75%.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

9. Construction Grants Payable

Grants for construction represent amounts which have been committed to individual projects in advance of construction. The remaining balance will be paid as construction progresses.

	2019	Construction grants recognized	Construction grants applied	2020
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Building BC:				
Rapid Response to Homelessness	\$ -	\$ 84,500	\$ (84,500)	\$ -
Affordable Rental Housing	-	10,722	(10,722)	-
Deepening Affordability	62,984	(425)	(26,180)	36,379
Community Housing Fund	41,504	113,200	(39,249)	115,455
Indigenous Housing Fund	13,907	66,600	(32,777)	47,730
Supportive Housing Fund	-	15,100	(15,100)	-
Women's Transition Housing Fund	-	14,403	(14,403)	-
Homeless Action Plan	-	18,758	(18,758)	-
Capital Renewal Funding (Non-profit & PRHC)	38,307	128,153	(111,115)	55,345
Investment in Housing Innovation	155,506	5,747	(92,403)	68,850
Investment in Affordable Housing Agreement	1,129	-	(2)	1,127
Mental Health Housing Initiative	5,788	(47)	(2,242)	3,499
Other Project Grants	8,502	1,170	(2,201)	7,471
Social Housing Agreement	27	-	-	27
Federal Bilateral Agreement	-	26,873	(20,394)	6,479
Social Infrastructure Fund	9,139	149	(7,153)	2,135
	\$ 336,793	\$ 484,903	\$ (477,199)	\$ 344,497

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.

	2020	2019
	(\$000's)	(\$000's)
Balance, beginning of year	\$ 3,709	\$ 3,530
Funds applied	(13)	(12)
Investment income	(188)	191
Balance, end of year	\$ 3,508	\$ 3,709

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

11. Tangible Capital Assets

	2019 (\$000's)		2020 (\$000's)	
	Cost	Additions	Disposals	Cost
Computer software	\$ 47,281	\$ 3,286	\$ -	\$ 50,567
Computer hardware	2,746	-	-	2,746
Tenant improvements	12,651	2,101	-	14,752
Office furniture	4,419	358	-	4,777
Office equipment	194	-	-	194
Vehicles	1,565	140	60	1,645
Grounds equipment	537	-	-	537
	\$ 69,393	\$ 5,885	\$ 60	\$ 75,218

	Accumulated Depreciation	Depreciation	Disposals	Accumulated Depreciation
Computer software	\$ 36,474	\$ 4,368	\$ -	\$ 40,842
Computer hardware	2,746	-	-	2,746
Tenant improvements	10,640	931	-	11,571
Office furniture	3,013	441	-	3,454
Office equipment	161	8	-	169
Vehicles	1,343	155	60	1,438
Grounds equipment	507	16	-	523
	\$ 54,884	\$ 5,919	\$ 60	\$ 60,743
Net Book Value	\$ 14,509			\$ 14,475

12. Budget Figures

Budgeted figures are provided for comparative purposes and are consistent with the budget presented in the 2019/20 – 2022/23 Service Plan that was released in February 2019.

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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

14. Changes in Non-cash Working Capital

	2020 (\$000's)	2019 (\$000's)
Accounts payable and accrued liabilities	\$ (2,247)	\$ 42,144
Deferred revenue	18,000	(67,388)
Due from Canada Mortgage and Housing Corporation	(6,471)	43,604
Due from Province of British Columbia	5,047	(10,142)
Due to Provincial Rental Housing Corporation	(101,914)	(86,576)
Prepaid expenses and housing subsidies	(4,341)	(114)
Receivables	(2,534)	(3,277)
Tenants' prepaid rent	321	(293)
	\$ (94,139)	\$ (82,042)

15. Commitments

a) Rental Obligations

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

	(\$000's)
2021	\$ 5,318
2022	5,444
2023	5,546
2024	5,521
2025	642
Beyond	2,155
Total	\$ 24,626

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 \$479,497,000 with a forecasted amount over the next five years and beyond as follows:

	(\$000's)
2021	\$ 484,123
2022	318,478
2023	243,879
2024	199,067
2025	169,646
Beyond	4,213,221
Total	\$ 5,628,414

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

c) Public-Private Partnership Commitments

The Commission has entered into a public-private partnership project (P3) 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 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 16). 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 are expensed to the Corporation.

		Capital (\$000's)	Facility Maintenance and Lifecycle (\$000's)		Total Payments (\$000's)
2021	\$	9,461	\$ 2,735	\$	12,196
2022		9,461	2,228		11,689
2023		9,461	2,165		11,626
2024		9,461	3,292		12,753
2025		9,461	2,031		11,492
Thereafter		55,186	11,751		66,937
Total	\$	102,491	\$ 24,202	\$	126,693

d) Loan Insurance Agreement

CMHC provides loan insurance under the *National Housing Act*. The CMHC/BC Housing Loan Insurance Agreement provides the Commission with the ability to arrange long term CMHC loan insured mortgages on behalf of non-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 the Loan Insurance Agreement in January 1993, the Commission has never had a claim made against the Loan Insurance Agreement. The Commission underwrites the mortgages in accordance with CMHC Handbook for multi-unit properties, registers a charge on title to ensure access to property and requires housing providers to enter into an operating agreement with BC Housing to ensure ongoing operational compliance and access to housing provider's financial information.

The maximum value of mortgages that can be insured under this agreement is \$3.5 billion. As of March 31, 2020, the total value of outstanding CMHC insured mortgages was \$2,577,924,820 (2019: \$2,280,476,071). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

16. 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 \$239,496,000 (2019: \$371,136,000) to the Corporation for capital grants, self-insurance, mortgage subsidies, etc. As at March 31, 2020, amounts due to the Corporation totalled \$11,941,000 (2019: \$113,855,000) 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.

17. 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	2021 (\$000's)	2022 (\$000's)	2023 (\$000's)	2024 (\$000's)	2025 (\$000's)	Thereafter (\$000's)
CMHC	Annual funding under the Social Housing Agreement (SHA)	\$ 92,150	\$ 85,710	\$ 80,179	\$ 71,976	\$ 63,711	\$ 139,087
CMHC	Annual funding under Bilateral Agreement	45,545	51,256	-	-	-	-
Non-profit housing providers	Land/and or building lease payments on properties owned by the Corporation	1,121	1,121	1,121	1,121	1,121	21,952
Total		\$ 138,816	\$ 138,087	\$ 81,300	\$ 73,097	\$ 64,832	\$ 161,039

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

18. Contingencies

a) Letters of Credit

As at March 31, 2020, the Commission was contingently liable with respect to letters of credit totalling \$11,172,679 (2019: \$6,795,548) 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, 2020, 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.

19. 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, 2020:

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 the 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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

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 one year. The table below shows the various financial assets and liabilities that mature after one year.

2020				
Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Construction loans to housing projects	\$ 521,546	\$ 73,620	\$ -	\$ 595,166
Mortgages receivable	6,155	4,188	31,901	42,244
Total	\$ 527,701	\$ 77,808	\$ 31,901	\$ 637,410
Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Society funds held on deposit	\$ 1,922	\$ 5,416	\$ 12,551	\$ 19,889
2019				
Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Construction loans to housing projects	\$ 293,564	\$ 26,123	\$ -	\$ 319,687
Mortgages receivable	5,660	5,224	28,178	39,062
Total	\$ 299,224	\$ 31,347	\$ 28,178	\$ 358,749
Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Society funds held on deposit	\$ 615	\$ 6,898	\$ 10,571	\$ 18,084

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2020

e) Foreign Exchange Risk or Other Price Risk

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

20. Impact of 2019 Coronavirus Disease (COVID-19)

The impact of COVID-19 in the British Columbia first began in January 2020 and a provincial state of emergency was announced March 19, 2020, prior to the financial statement date. COVID-19 did not cause any significant impact to the Commission's assets or liabilities or on its operations on or before the financial statement date. The effects of the outbreak are expected to occur in the subsequent reporting period. As part of the province's \$5 billion action plan to respond to the pandemic, in April 2020, the Commission launched a new Temporary Rental Assistance program to give tenants and landlords temporary support towards rent payments for renters impacted by COVID-19, and is also providing additional supports to help low-income households and vulnerable individuals throughout the crisis. All costs associated with COVID-19 will be funded from the province's \$5 billion action plan.

Financial Statements: Provincial Rental Housing Corporation

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 22, 2020. The financial statements have also been reviewed and approved by the Board of Directors.

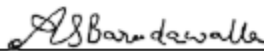
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel 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



Abbas Barodawalla
Director



Independent auditor's report

To the Board of Directors and the Shareholder of Provincial Rental Housing Corporation

Our opinion

In our opinion, the accompanying financial statements of Provincial Rental Housing Corporation (the Corporation) as at March 31, 2020 and for the year then ended 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.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in net debt for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - basis of accounting

We draw 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. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 22, 2020


Provincial Rental Housing Corporation

Statement of Financial Position

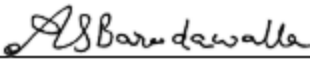
	March 31 2020 (\$000's)	March 31 2019 (\$000's)
Financial assets		
Cash	\$ 2	\$ 1
Debenture subsidy receivable	839	839
Due from BC Housing Management Commission (Note 6)	11,941	113,855
Long-term receivables (Note 3)	238,465	243,573
Loans receivable	-	18
	<u>251,247</u>	<u>358,286</u>
Liabilities		
Interest payable	268	302
Deferred capital contributions (Note 4)	980,775	850,430
Unearned lease revenue	31,766	30,126
Site contamination (Note 5)	6,825	6,861
Long-term debt (Note 7)	217,429	219,748
	<u>1,237,063</u>	<u>1,107,467</u>
Net debt	<u>(985,816)</u>	<u>(749,181)</u>
Non-financial assets (Note 8)		
Housing and projects under construction	1,996,241	1,748,472
Riverview Lands redevelopment	50,023	37,817
	<u>2,046,264</u>	<u>1,786,289</u>
Accumulated surplus	<u>\$ 1,060,448</u>	<u>\$ 1,037,108</u>

Commitments (Note 10)
Impact of 2019 Coronavirus Disease (COVID-19) (Note 14)

On behalf of the Board of Directors:



Shayne Ramsay, President



Abbas Barodawalla, Director

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statement of Operations

Year Ended March 31	2020 (\$000's)	2019 (\$000's)
Revenue		
Provincial subsidy	\$ 30,006	\$ 47,510
Contribution revenue	79,845	67,624
(Loss) on sale of property	(854)	(12,531)
Lease revenue	1,073	966
Interest income	5,091	7,502
	115,161	111,071
Expenses		
Depreciation	75,913	66,131
Interest on long-term debt	10,695	11,343
Social housing grant and subsidy	18	165
Group home and self insurance claims	5,195	1,425
	91,821	79,064
Annual surplus from operations	23,340	32,007
Accumulated surplus from operations at beginning of year	1,037,108	1,005,101
Accumulated surplus from operations at end of year	\$ 1,060,448	\$ 1,037,108

See accompanying notes to the financial statements

Provincial Rental Housing Corporation
Statement of Changes in Net Debt

Year Ended March 31	2020 (\$000's)	2019 (\$000's)
Annual surplus	\$ 23,340	\$ 32,007
Additions of tangible capital assets	(336,880)	(455,337)
Depreciation of tangible capital assets	75,913	66,131
Disposal of tangible capital assets	13,198	1,429
	(247,769)	(387,777)
Riverview Lands redevelopment	(12,206)	(21,765)
Changes in net debt for the year	(236,635)	(377,535)
Net debt, beginning of year	(749,181)	(371,646)
Net debt, end of year	\$ (985,816)	\$ (749,181)

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statement of Cash Flows

Year Ended March 31	2020 (\$000's)	2019 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 23,340	\$ 32,007
Adjustments to determine cash flows:		
Depreciation of tangible capital assets	75,913	66,131
Amortization of deferred contributions	(57,125)	(47,709)
(Gain) Loss on sale of property	854	12,531
Little Mountain Interest adjustment	(5,091)	(7,502)
Amortization of unearned lease revenue	(1,064)	(890)
Changes in non-cash working capital (Note 9)	101,898	86,707
	138,725	141,275
Capital transactions		
Property additions	(336,880)	(411,718)
Proceeds on sale of property	12,344	2,415
Riverview Lands redevelopment	(12,206)	(21,765)
	(336,742)	(431,068)
Financing transactions		
Deferred capital contributions received	187,470	303,841
New long-term debt financing	14,824	4,178
Site contamination	(36)	(52)
New long term lease prepayment	2,704	-
Proceeds on long-term Receivable	10,199	-
Long-term debt repayment	(17,143)	(18,174)
	198,018	289,793
Increase in cash	1	-
Cash, beginning of year	1	1
Cash, end of year	\$ 2	\$ 1

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

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.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

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 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.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

i) Financial Instruments

The Corporation's financial instruments consist of cash, debenture subsidy receivable, due from BC Housing Management Commission, long-term receivables, loans receivable, 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) Future accounting standards:

In March 2018, PSAB issued PS 3280, Asset Retirement Obligations. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The main features of PS 3280 are:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- Asset retirement obligations include post-retirement operation, maintenance and monitoring.
- A present value technique is often the best method with which to estimate the liability.

PS 3280 applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of adoption of PS 3280 on the financial statements of the Corporation.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

3. Long-term Receivables

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

	Little Mountain (\$000's)	Cedar Place (\$000's)	Total (\$000's)
March 31, 2019 Balance	\$ 233,374	\$ 10,199	\$ 243,573
Interest adjustment	5,091	-	5,091
Cash Received	-	(10,199)	(10,199)
March 31, 2020 Balance	\$ 238,465	\$ -	\$ 238,465

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 3.08 per cent.

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. The Corporation received 90 family units as at March 31, 2019 and \$10.199 million cash as at March 31, 2020.

4. Deferred Capital Contributions

	2020 (\$000's)	2019 (\$000's)
Balance, beginning of year	\$ 850,430	\$ 594,298
Receipts	187,470	303,841
Amortization	(57,125)	(47,709)
Balance, end of year	\$ 980,775	\$ 850,430

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).

5. 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, 2020, the total liability is \$6.83 million (2019: \$6.86 million). The Corporation reviews the contamination and cost of remediation over the life of

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

the projects and adjust the liability as information available. As at March 31, 2020, the liability amount is enough to cover the present value of remediation costs required, 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.

6. 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 by the Commission who records the related rental revenue and is responsible for all the operating and administrative activities of the units. 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.

During the year, the Corporation provided \$1,533,000 (2019: \$1,611,000) to the Commission for services performed by the Commission on behalf of the Corporation and the Commission provided \$239,496,000 (2019: \$371,136,000) to the Corporation for capital grants, self-insurance, debenture and mortgage subsidies, etc. As at March 31, 2020, amounts due from the Commission totalled \$11,941,000 (2019: \$113,855,000) 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.

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

i. Directly Managed Debenture Subsidy

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

ii. 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).

iii. Administration and Financing

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

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

7. Long-Term Debt

	2020 (\$000's)	2019 (\$000's)
Canada Mortgage and Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2029, with a weighted average rate of 7.86% (2019: 7.82%) and secured by unregistered first mortgages on properties of the Corporation.	\$ 32,085	\$ 37,440
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with a weighted average rate of 2.72% (2019: 2.67%), secured by registered first mortgages on properties of the Corporation.	114,180	106,769
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.	71,164	75,539
	\$ 217,429	\$ 219,748

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

	(\$000's)
2020	\$ 37,633
2021	24,911
2022	25,484
2023	21,615
2024	44,944
Thereafter	62,842
	\$ 217,429

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

8. Non-Financial Assets

a) Housing and projects under construction

Cost	2019 (\$000's)			2020 (\$000's)
	Beginning	Additions	Disposals	Ending
Land	\$ 493,723	\$ 53,722	\$ (6,460)	\$ 540,985
Buildings	1,601,969	207,624	(8,546)	1,801,047
Construction in progress	119,326	75,534	-	194,860
	<u>\$ 2,215,018</u>	<u>\$ 336,880</u>	<u>\$ (15,006)</u>	<u>\$ 2,536,892</u>

Depreciation	Beginning Accumulated	Annual Expense	Disposals Adjustments	Ending Accumulated
Buildings	\$ 466,546	\$ 75,913	\$ (1,808)	\$ 540,651

Net Book Value	Beginning	Ending
Land	\$ 493,723	\$ 540,985
Buildings	1,135,423	1,260,396
Construction in progress	119,326	194,860
	<u>\$ 1,748,472</u>	<u>\$ 1,996,241</u>

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 incidental carrying costs net of any revenues generated 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.

	2019 (\$000's)			2020 (\$000's)
	Beginning	Expenditures	Revenue	Ending
Construction	\$ 33,455	\$ 10,488	\$ -	\$ 43,943
Net operating	4,362	7,299	(5,581)	6,080
	<u>\$ 37,817</u>	<u>\$ 17,787</u>	<u>\$ (5,581)</u>	<u>\$ 50,023</u>

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

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.

9. Changes in Non-cash Working Capital

	2020 (\$000's)	2019 (\$000's)
Loans receivable	\$ 18	\$ 164
Interest payable	(34)	(33)
Due from BC Housing Management Commission	101,914	86,576
Total	\$101,898	\$ 86,707

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 8) and the obligation was recorded as a liability and included in long-term debt (see Note 7). 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)
2021	\$ 9,461	\$ 2,735	\$ 12,196
2022	9,461	2,228	11,689
2023	9,461	2,165	11,626
2024	9,461	3,292	12,753
2025	9,461	2,031	11,492
Thereafter	55,186	11,751	66,937
Total	\$ 102,491	\$ 24,202	\$ 126,693

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

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, 2020:

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 BC Housing Management Commission (see Note 6) and long-term receivables (see Note 3).

The Corporation is not exposed to significant credit risk with respect to the amounts due from the Commission. To reduce the risk associated with 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 1 year. The table below shows the various financial assets and liabilities that mature after 1 year.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

2020				
Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term receivables	\$ -	\$ 205,896	\$ 32,569	\$ 238,465
Total	\$ -	\$ 205,896	\$ 32,569	\$ 238,465

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term debt	\$ 37,633	\$ 116,954	\$ 62,842	\$ 217,429

2019				
Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term receivables	\$ 10,199	\$ 179,994	\$ 53,380	\$ 243,573
Loan receivables	18	-	-	18
Total	\$ 10,217	\$ 179,994	\$ 53,380	\$ 243,591

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term debt	\$ 37,003	\$ 98,608	\$ 84,137	\$ 219,748

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.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2020

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, 2019, an increase to annual surplus of \$278,908,000; and,
- b) At March 31, 2019, an increase to accumulated surplus and a decrease to contributions of \$808,595,000.
- c) For the year ended March 31, 2020, an increase to annual surplus of \$147,600,000; and,
- d) At March 31, 2020, an increase to accumulated surplus and a decrease to contributions of \$956,219,000.

14. Impact of 2019 Coronavirus Disease (COVID-19)

COVID-19 did not cause any significant impact to the Corporations assets or liabilities or on its operations on or before the financial statement date. As part of the province's \$5 billion action plan to respond to the pandemic, the Corporation will be purchasing select hotels and other sites to provide more affordable homes for people living in encampments in Vancouver and Victoria. All costs associated with COVID-19 will be funded from the province's \$5 billion action plan.

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.