

BC Housing

2016/17 ANNUAL SERVICE PLAN REPORT



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Board Chair's Accountability Statement

The *BC Housing 2016/17 Annual Service Plan Report* compares actual results to the expected results identified in the *2016/17 – 2018/19 Service Plan*. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read "Judy Rogers". The signature is written in a cursive, flowing style.

Judy Rogers
Board Chair

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Chair/CEO Report Letter

It is a pleasure to submit the British Columbia Housing Management Commission (BC Housing) 2016/17 Annual Service Plan Report. Over the past year we have undertaken a wide range of programs and initiatives, and believe we have performed well in achieving the expectations set out in our [2016/17 Service Plan](#) and [Mandate Letter](#), including the [Supplement to the Mandate Letter](#) received in support of government's [6 Principles of Housing Affordability](#).

In 2016 the provincial government established The Housing Priority Initiatives Special Account to fund new commitments aligned with the 6 Principles of Housing Affordability. To support this commitment we launched the *Investment in Housing Innovation* program to increase the supply of affordable rental housing for low and moderate income British Columbians, the *Mental Health Housing* program to acquire new housing for people with mental health or substance challenges, and the *BC Home Owner Mortgage and Equity Partnership (BC HOME Partnership)* program to provide down payment assistance loans to households entering the housing market for the first time. These significant new initiatives were implemented to have a positive impact on housing affordability across the province.

During 2016/17 we put into action a range of strategies to support each of our four Service Plan goals. We met or exceeded targets for four of the six performance measures in the Service Plan including: facility condition index; new affordable housing units created; builders' rating of our compliance efforts to monitor and enforce licensing and home warranty insurance; and, greenhouse gas emission reductions. Our performance measure related to Progressive Aboriginal Relations is carried out over a three year cycle with the next third-party certification scheduled to take place in 2018/19. Also, our performance measure related to the goal of supporting a strong non-profit housing sector was revamped in 2016/17 with new targets set.

In accordance with the government's Taxpayer Accountability Principles Action Items, a strategic engagement plan with our responsible Ministry has been implemented and quarterly accountability meetings have taken place with Ministry representatives. This quarterly engagement strengthens the effectiveness of BC Housing's partnership with the Ministry responsible and also supports our accountability goals.

Finally, in accordance with our Mandate Letter, BC Housing has adopted the Taxpayer Accountability Principles into our governance and our operations in 2016/17. This includes integrating the Taxpayer Accountability Principles into our board governance framework and orientation materials. As well, BC Housing includes training on the Taxpayer Accountability Principles in our mandatory Standards of Conduct Awareness Training for board members, senior management and all staff. This training provided to new staff and it is available online as refresher training.



Judy Rogers
Board Chair



Shayne Ramsay
Chief Executive Officer

Purpose of the Organization

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

In 2016/17, BC Housing assisted more than 105,140 households in 290 communities across the province through a range of programs, initiatives and partnerships. Assistance ranges from emergency shelter and homeless outreach, transition houses, safe homes and second stage housing, independent and supportive social housing, rent assistance in the private market, home adaptations for seniors and persons with disabilities, as well as first time homeowners. BC Housing works in partnership with the non-profit sector to deliver most of these programs. As well, 6,900 residential builders were licensed, 1,930 owner builders were authorized, and 27,998 new homes were enrolled in home warranty insurance through third-party home warranty insurance providers.

Strategic Direction and Context

BC Housing's performance is aligned with and supports the Taxpayer Accountability Principles and the provincial housing strategy [Housing Matters BC](#). The British Columbia public sector [Taxpayer Accountability Principles](#) is an overarching priority. Specific government direction was provided to BC Housing in the [2016/17 Mandate Letter](#) and supplemental letter from the Minister Responsible for Housing to the Board of Commissioners. Our performance against the Mandate Letter and supplemental letter, and the Taxpayer Accountability Principles is reported in the Report on Performance section of this Annual Report.

Specific strategic priority actions for 2016/17 provided by government for BC Housing include:

- Support a strong non-profit sector through a range of activities and initiatives that include implementation of the *Non-Profit Asset Transfer Program*, as well as education and training partnerships with the BC Non-Profit Housing Association.
- Support a strong, self-reliant Aboriginal housing sector through strategic initiatives with the Aboriginal Housing Management Association as well as innovative partnerships for the creating of new housing options.
- Respond to needs along the housing continuum through programs and initiatives to break the cycle of homelessness, including enhanced rent assistance and creating new housing options for low and moderate income households.
- Support consumer confidence by completing implementation of the enhanced licensing system for home builders, and strengthening warranty regulations in the *Homeowner Protection Act*.
- Support housing affordability, funded through the new Housing Priority Initiatives Special Account or other sources, to improve access to homeownership for first time homebuyers and to increase housing affordability in rental markets through the construction of rental housing.

No significant changes were experienced in our operating environment in terms of impacting 2016/17 performance results. However, a range of responses and mitigation strategies were put into place for a number of new and existing challenges over the course of the year.

- An increase in the number of people finding themselves homeless in some communities gave rise to a number of tent city situations. In response, BC Housing has put additional resources into place to provide low barrier shelter, supportive housing options and on-site supports, and to mitigate neighbourhood concerns.
- Continued pressure on housing affordability, especially in the major urban centres. The Province made a major investment of \$355 million to create upwards of 2,000 new affordable housing under the Provincial Investment in Affordable Housing, and another \$500 million under the Investment in Housing Innovation to increase the supply of affordable rental housing for renters with low to moderate incomes. The Province also invested \$50 million towards acquiring new housing for people with mental health or substance use challenges under the *Mental Health Housing* program. As well, the *BC HOME Partnership* program was launched to provide downpayment assistance for first-time homebuyers.
- The Tsilhoqot' in Aboriginal Title case means that BC Housing continues to respect consultation and accommodation requirements with First Nations for Provincial Rental Housing Corporation properties in traditional territories that may be transferred through the *Non-Profit Asset Transfer Program* or, for example, part of the [Riverview](#) visioning and planning process.
- Cost pressure risks related to building, repairing and operating social housing continued to be monitored and managed, for example, cost increases related to drywall. Costs mitigation practices occur through capital project planning, underwriting for new developments, laddered mortgage renewal dates, competitive mortgage tender processes, and the adoption of budget and financial templates for our partnering housing societies.
- The potential for losing affordable housing stock due to expiring social housing operating agreements and aging of the stock continues to be a priority. A range of responses are in place including program reform, joint initiatives with the BC Non-Profit Housing Association, ongoing financial investment in the capital renewal of the social housing stock, and engaging with the federal government to help shape the National Housing Strategy.
- Operational efficiency and performance risks are addressed through our Human Resources' [People Strategy](#) including annual monitoring of employee engagement and workload requirements related to the development and launch of new affordable housing programs over the fiscal year.
- Risks and opportunities associated with implementing the enhanced licensing system for home builders and new owner builder exam requirements under the *Homeowner Protection Act* continue to be monitored to ensure clients and stakeholders are aware of new requirements and able to achieve a high bar of professionalism.
- Health and safety risks for tenants, employees, housing providers and contractors related to the size, age and diversity of the social housing stock continued to be managed through several programs, e.g., asbestos management, with dedicated staff resources and partnerships with sector organizations.

Report on Performance

BC Housing has successfully delivered on our performance expectations as set out in the Mandate Letter. The Taxpayer Accountability Principles are incorporated into BC Housing's programs, practices and procedures. This includes:

- The Chair/CEO Report Letter in this Annual Report properly informs of BC Housing's performance concerning our Mandate letter expectations.
- Holding quarterly meetings with senior management from BC Housing and the ministry, which provides accountability for the performance measurement outcomes and measures.
- Undertaking comprehensive and appropriate communication, orientation and training regarding BC Housing's accountability framework, Taxpayer Accountability Principles and BC Housing's governance and operations, including integrating the principles into the board governance framework and orientation materials and integrating training on the principles into BC Housing's mandatory Standards of Conduct Awareness Training for all staff.

The performance measures and results described in this report were established in the 2016/17 – 2018/19 Service Plan. Performance measures are aligned with each of our organizational goals and objectives. In accordance with the Taxpayer Accountability Principles, particularly Action 7 (Evaluation Plan), the performance measures are developed in collaboration with the ministry responsible, and is reviewed at least annually. It is firmly linked with government's directions as set out in the Mandate Letter and the provincial housing strategy, Housing Matters BC, and government's 6 Principles of Housing Affordability.

Further information and assumptions regarding our performance measures may be found on our website at <https://www.bchousing.org/about/corporate-reports-plans>

Goals, Strategies, Measures and Targets

Goal 1: Support a Strong Non-Profit Housing Sector

BC Housing supports a strong non-profit housing sector through relationship-building, collaboration and capacity-building initiatives in partnership with housing providers, the BC Non-Profit Housing Association and other organizations involved in the non-profit sector. We share a common purpose with non-profit housing providers to provide stable, safe and affordable housing. Together we work toward ensuring the sustainability of the sector and provision of social housing over the long-term.

This goal strongly aligns with Taxpayer Accountability Principles in the areas of cost effective delivery of services, accountability and a clear focus of positive outcomes in the delivery of services to British Columbians. This goal also delivers on direction given in our Mandate Letter to support a strong non-profit sector by taking steps to strengthen relationships and capacity building.

Strategies

1. Continued to transfer Provincial Rental Housing Corporation (PRHC) properties to non-profit housing providers, including PRHC-leased land in social housing projects and select public housing stock where appropriate through the *Non-Profit Asset Transfer Program*.

2. Worked with the BC Non-Profit Housing Association to:
 - a. Deliver education and training sessions on various topics for housing providers.
 - b. Assist housing providers to prepare for the expiry of operating agreements.
3. Reviewed BC Housing's operational review process to help housing providers improve financial, operating and governance practices.
4. Provided funding for the maintenance and rehabilitation of existing social housing.

Performance Measure 1.1: Non-Profit Housing Provider Financial Reviews

Performance Measure	2016/17 Baseline	2016/17 Actual	2017/18 Target	2018/19 Target
Percentage of non-profit housing provider financial reviews carried out by BC Housing within five months from date of submission*	52%	52%	55%	60%

*Note: This is a new measure which replaces the former measure "Increase in the percentage of housing providers with fewer indicators for follow-up after an operational review." The 2016/17-2018/19 Service Plan indicated that the former measure was under review.

Data source: data is gathered by BC Housing as part of the financial review process with housing providers.

Discussion

This performance measure focuses on the completion of the financial reviews of non-profit housing providers by BC Housing. The measure reflects BC Housing's commitment to streamline and prioritize our financial and operational review practices by ensuring that we complete housing provider financial reviews within five months from the date of submission of financial documents to BC Housing. Based on assessments of previous years' financial review cycles it was determined that the five month timeframe enables housing providers to plan their budgets for the year ahead, and helps to avoid situations of subsidy overpayments or underpayments. Targets demonstrate improvement over the current baseline level of 52 per cent of financial reviews carried out within five months.

Performance Measure 1.2: Facility Condition Index

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Facility Condition Index	11%	11%	9%	15% to 20%	18%	17% to 22%	17% to 22%

Data Source: Physical building condition assessments of building systems, sub-systems and components are tracked by BC Housing and used to calculate the Facility Condition Index (FCI). The index quantifies the physical condition of the social housing stock. The calculation is the cost of a building's renewal and replacement needs divided by its replacement cost, expressed as a percentage. A lower value indicates a better building condition.

Discussion

The FCI is used to assist with investment decisions and strategic directions regarding capital planning and rehabilitation budgets for social housing.

BC Housing, along with our non-profit housing partners, strive for continual improvement in the quality of the social housing stock. Our ability to positively affect the FCI measure primarily relates to available funding for capital improvements and to the existing condition of the social housing stock.

Targets are set to reflect an acceptable service level for buildings and building conditions for tenants. As of March 31, 2017, results indicated a portfolio FCI rating of 18 per cent, which is within the targeted range of 15 to 20 per cent. The result of 18 per cent for the social housing stock consists of:

- 23 per cent for the directly managed portfolio, and;
- 17 per cent for the non-profit portfolio.

This positive performance is due to a few key factors:

- The assessment of approximately 3,100 non-profit units;
- 128 capital renovation projects totaling approximately \$26.5 million investment;
- An increase of 63 new units to the unit count model;
- Updates to BC Housing's data and systems improved the accuracy of calculations.

Goal 2: Respond to Needs Along the Housing Continuum

Our Mandate Letter directs BC Housing to make strategic shifts in the way services are delivered to low and moderate income households, and to promote strategic partnerships and alliances that work to further the availability of affordable market housing. We deliver on these commitments by responding to needs along the housing continuum and delivering a wide range of programs and initiatives to expand [housing options](#).

Also in accordance with the Mandate Letter, we work with industry to help ensure the quality of residential construction and consumer protection for buyers of new homes. To do this we collaborate with [partners](#) across many sectors and industries, from non-profits to homebuilders and local governments to community organizations.

BC Housing responds to needs along the housing continuum by expanding the range of housing choices and supports for British Columbians through collaboration with our non-profit, community, government and private sector partners. This strongly supports the Taxpayer Accountability Principle of service, maintaining a clear focus on positive outcomes for citizens of British Columbia. In 2016/17 we continued to deliver a range of programs to support people across the housing continuum: emergency shelter and housing for the homeless, transitional supportive and assisted living, independent social housing, rent assistance in the private market, and consumer protections for buyers of new homes. Our programs also support housing accessibility for people with disabilities in support of the provincial Accessibility 2024 plan, and housing and services for victims of domestic violence, in support of the Provincial Domestic Violence Plan.

Strategies

1. Implemented strategic investment of proceeds generated through the *Non-Profit Asset Transfer Program* to create new social housing and to also maintain and renew existing social housing.

2. Facilitated innovative partnerships to create new affordable housing options for low and moderate income households along the continuum through development programs, including redevelopment of Provincial Rental Housing Corporation properties, financing, and partnerships.
3. Provided financial assistance to low income seniors and working families in the private market through [rental assistance programs](#), including the [Homeless Prevention Program](#).
4. Improved the physical accessibility of homes for low income seniors and persons with disabilities through the [Home Adaptations for Independence](#) program.
5. Administered [consumer protection measures](#) for buyers of new homes by implementing an accreditation system for home builder education and education providers, worked with government partners towards establishing an appeal mechanism for new home construction warranty claims, and implemented an enhanced licensing system for home builders.

Performance Measure 2.1: Number of New Units/Beds Created for Priority Groups

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Number of new units/beds created for priority groups	1,557	2,815	1,764	1,775	2,004	2,301	3,243

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

Discussion

This measure describes our performance in creating new units for low and moderate income individuals and families, including seniors, youth, Aboriginal households, people with physical and mental disabilities, as well as homeless individuals.

Targets are based on the completion of new units under existing development programs and take into account planned program funding levels. In addition to the number of units created through development projects, the number of households benefitting from rent supplements through the *Homeless Prevention Program* is included in this performance measure (targets reflect that this program is now fully allocated).

In 2016/17, BC Housing created 2,004 new units/beds for priority groups, surpassing the target of 1,775. The new units were added in 23 communities across the province and were created through various programs including: 1,126 units under the *Community Partnership Initiatives*, 236 units through the combined *Canada/BC Investment in Affordable Housing* and *Social Infrastructure Funding* programs, 266 units under *Provincial Investment in Affordable Housing*, 7 units through the new *Investment in Housing Innovation* program, 91 beds for group homes, and 278 units under various other programs (including 52 through rent supplement programs for those most at risk of homelessness).

In total 624 of the units were newly constructed units created through our development programs, 1,292 were added to the housing portfolio through acquisitions or conversions to protect the supply of affordable housing stock and 88 were rent supplements for vulnerable populations.

Performance Measure 2.2: Builders’ Rating of the Effectiveness of Compliance Efforts to Monitor and Enforce Licensing and Home Warranty Insurance

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Builders’ rating of the effectiveness of compliance efforts to monitor and enforce licensing and home warranty insurance	85%	84%	85%	80% or higher	85%	80% or higher	80% or higher

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

Discussion

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

The 2016/17 survey results are the same as for 2015/16, showing that 85 per cent of builders who responded to the survey felt that the effectiveness of the compliance efforts was “very effective” or “effective”. This result is above the target of 80 per cent.

Goal 3: Enhance Aboriginal Partnerships

Aboriginal people are significantly over represented within the homeless population and are less likely to have housing that is adequate and affordable. To help address these circumstances we work with the Aboriginal housing sector to enhance partnerships and increase self-reliance within the sector. Increasingly we are working with First Nations communities, recognizing the benefit of partnerships to help address housing issues on and off reserves.

The Taxpayer Accountability Principle of respect is strongly emphasized by our work under this goal. BC Housing engages in equitable, compassionate, respectful and effective communications that ensures all parties are properly informed or consulted on actions and decisions. In addition, we proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.

Strategies

1. Initiated strategic partnerships with the Aboriginal Housing Management Association to support their capacity in the administration of social housing under the *Aboriginal Social Housing Management Agreement* with BC Housing.
2. Ensured that there are lasting benefits to Aboriginal communities that we work with through a range of initiatives such as housing-related training and employment, and capacity development.
3. Provided BC Housing staff with opportunities to gain a stronger understanding of the cultural aspects related to Aboriginal partnerships and housing.
4. Reached out to First Nations in B.C. to create partnerships that will increase community capacity and respond to housing needs.

Performance Measure 3.1: Progressive Aboriginal Relations (PAR) Certification

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Progressive Aboriginal Relations (PAR) certification	Silver	Silver	Gold (re-certification year)	Gold	Gold	Gold	Gold

Data Source: the Canadian Council for Aboriginal Business.

Discussion

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

This measure is conducted on a three year cycle. The certification process for the current three-year period began in 2015 when BC Housing was awarded a gold level certification, surpassing the target of silver. The next certification process will occur again in 2018. Current plans, initiatives and collaboration support the goal of continual improvement each year to support stronger Aboriginal partnerships and relations.

BC Housing is the only social housing provider in Canada to be certified under the PAR program. This result demonstrates BC Housing's active and ongoing commitment to supporting the Aboriginal housing sector and our Aboriginal housing partners. Benchmarking is conducted on a national level

against other Canadian companies participating in the PAR certification program. Current PAR certified companies include BC Hydro, Canada Post, IBM and BMO Financial Group.

Goal 4: Leadership in Sustainability and Residential Construction

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

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

Overall this goal supports the Taxpayer Accountability Principles of accountability and integrity. Actions under this goal are aligned with government's direction under the *Greenhouse Gas Reductions Target Act*. Decisions and actions in the interest of environmental sustainability are implemented in our own operations.

Strategies

1. Completed technical projects in partnership with industry and government partners related to the quality and sustainability of residential construction.
2. Continued to implement our *livegreen* Housing Sustainability Plan with a concentration on:
 - Integration of financial, social and environmental considerations in decision-making;
 - Innovation in the design, construction and management of housing;
 - As a change agent, guiding and supporting others in taking actions towards sustainability.

Performance Measure 4.1: Per cent Reduction in Greenhouse Gas Emissions from 2005 levels

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Per cent reduction in greenhouse gas emissions from 2005 levels	24%	26%	33%	Reduction of 20% or more	31%	Reduction of 20% or more	Reduction of 20% or more

Data Source: provided directly from utility companies and compiled by an external consultant. In accordance with legislative requirements, the targets and results are based on a calendar year, e.g., results for 2016 are reported in the 2016/17 Actual column.

Discussion

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

Targets are set to achieve a 20 per cent or more reduction in GHG emissions from the 2005 level. The baseline, which was calculated across the housing portfolio in 2005, has been maintained to compare our reductions. Targets take into account anticipated changes to the housing portfolio and our goal is to reduce emissions above the 20 per cent level (compared to the 2005 baseline) each year.

In 2016, 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 31 per cent from the 2005 level, exceeding the annual reduction target by 11 per cent.

These results can be attributed to multi-year building upgrades and energy programs, renovation of 13 SROs in the 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 2016 GHG emissions from buildings were 24,500 tonnes of CO₂e¹. This represents a 31 per cent decrease in emissions compared to the 2005 baseline year. The total 2015 GHG emissions from buildings were 24,538 tonnes of CO₂e, meaning there has been a one per cent increase in emissions in 2016 compared to 2015.

¹ CO₂e is an abbreviation for carbon dioxide equivalent.

Financial Report

Discussion of Results

In 2016/17, BC Housing's expenditures totaled \$1,144 million. Services to improve housing options for British Columbians ranged from housing supports for the most vulnerable, to consumer protection and improved quality of residential construction in the private market, as well as assistance towards homeownership. In total, 105,140 households were assisted, an increase of over 1,100 from the previous year.

In 2016/17, new funding was provided for capital grants by the province through the Housing Priority Initiatives Special Account and from the Canada Mortgage and Housing Corporation (CMHC) through the *Social Infrastructure Fund* agreement. Changes in funding from other provincial ministries varied according to costs associated with the group home portfolio. Higher than anticipated revenue from the Provincial Rental Housing Corporation (PRHC), higher interest and investment revenues and lower than anticipated rental assistance costs allowed for higher spending in other areas.

The net income for 2016/17 is \$198.9 million. This amount is attributed to contributions received from the Housing Priority Initiatives Special Account to be used for construction financing on projects under the *Investment in Housing Innovation* program, funding new loans issued under the *BC Home Owner Mortgage Equity Partnership (BC HOME Partnership)* program and the implementation costs associated with these programs.

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

Revenues

The chart on page 19 shows BC Housing's revenues and expenditures from 2013/14 to 2016/17. In 2016/17, actual revenues totalled \$1,342.9 million, which is an increase of \$667.6 million compared to the 2016/17 budget, and an increase of \$706.5 million compared to the previous year. This increase reflects changes in provincial contributions, federal contributions, and other revenue.

Provincial Contributions

Provincial contributions increased by \$561.2 million compared to the 2016/17 budget and \$597.6 million compared to the previous year. These variances are primarily due to \$553.0 million in revenue from the Housing Priority Initiatives Special Account which was enacted in July 2016. Funding was provided for the *Investment in Housing Innovation* program which provides capital grants and construction financing to non-profit housing providers for the purchase, construction and renovation of new affordable rental housing, the *Mental Health Housing* program for the acquisition and renovation of buildings to house people with mental health and substance use challenges, as well as for the *BC HOME Partnership* program which provides downpayment assistance loans to first-time home buyers.

Federal Contributions

Federal contributions increased by \$96.4 million compared to the 2016/17 budget and \$108.5 million compared to the previous year. The variances are primarily due to \$102.5 million in funding from the newly announced *Social Infrastructure Fund Agreement* for the construction of new affordable housing and the renovation of the existing housing stock.

Other

Other revenue increased by \$10.0 million compared to the 2016/17 budget. This included \$4.2 million in investment and interest revenue primarily due to stronger financial markets, \$2.2 million in higher than budgeted tenant rent, and \$3.6 million in other small increases including fees and licenses collected by the Licensing and Consumer Services Branch of BC Housing, lease revenue, lender revenue, and commercial lease revenue.

Program Expenditures

The chart on page 19 shows BC Housing's actual expenditures totalled \$1,144.0 million, which is an increase of \$468.7 million compared to the 2016/17 budget, and an increase of \$507.6 million compared to the previous year. Major variances include:

Housing Subsidies

Housing Subsidies increased by \$471.1 million compared to the 2016/17 budget and by \$505.8 million compared to the previous year. The major reason for these variances is due to the issuance of \$353 million in grants under the *Investment in Housing Innovation* and *Mental Health Housing* programs and \$102.5 million in grants from the federal *Social Infrastructure Fund* agreement.

Other budget variances include \$5.0 million increase to grants mostly for completed projects under the *SRO Renewal Initiative*, and \$10.6 million increase to operating and support subsidies provided to non-profit housing for additional temporary shelter spaces, transitional housing and outreach services for people who are homeless or at risk of homelessness.

Compared to the prior year, housing subsidies increases included \$20.6 million in capital grants for the construction and renovation of provincially-owned housing stock. As well, operating and support subsidies to non-profit housing providers increased by \$29.7 million primarily to provide additional housing for people who are homeless or at risk of homelessness. Mortgage subsidy payments on projects transferred under the *Non-Profit Asset Transfer* program also increased.

Rental Assistance

Rental Assistance is \$6.3 million lower than the 2016/17 budget and \$1.4 million higher than the previous year. While the number of clients receiving assistance under the *Rental Assistance Program* and *Shelter Aid for Elderly Renters* program increased year over year, the level of growth was not at the rate anticipated in the budget.

Salaries and Labour

Salaries and Labour is \$1.1 million lower than the 2016/17 budget and \$1.1 million higher than the previous year. The main reason for the budget variance is due to the capitalization of salaries for the development of major IT systems. Additional staffing was also required for new initiatives including

the *BC HOME Partnership* program and the *Investment in Housing Innovation* program. Negotiated salary increases for unionized employees under collective agreements also contributed to the increase.

Operating Expenses

Operating Expenses are \$2.2 million higher than budget mainly due to increased security costs at some of the BC Housing managed properties, costs for temporary agency staff, higher costs to property management companies for the management of Provincial Rental Housing Corporation assets, and increased carbon taxes for the addition of Riverview to the portfolio.

Building Maintenance

Building Maintenance is \$3.5 million higher than the 2016/17 budget and \$2.6 million higher than the previous year. The main reason for the year to year variance and part of the budget variance is funding source used to operate the sponsoring ministry group home portfolio. The timing of the operational transfer of BC Housing managed buildings under the *Non-Profit Asset Transfer* program also accounted for higher than budgeted maintenance costs.

Office and Overhead

Office and Overhead is \$1.6 million higher than the previous year due to IT related expenditures such as software support and maintenance, hardware, and supplies. Advertising, publicity and promotion, consulting, and travel spending also increased slightly.

Building Modernization and Improvement

Building Modernization and Improvement (M&I) is \$1.1 million higher than the 2016/17 budget and \$4.6 million lower than the previous year. The budget variance occurred in the sponsoring ministry group home portfolio where actual work completed was lower than budgeted. In 2015/16, a \$5 million one-time increase in M&I funding for projects in non-profit managed buildings, offset by a small increase in projects for group homes, accounts for the year to year variance.

Financial Resource Summary Table²

(\$000)	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Actual	2016/17 Budget Variance	2015/16 to 2016/17 Variance
Revenue							
Provincial Share ³	384,632	411,811	428,025	464,515	1,025,666	561,151	597,641
Federal Share	160,070	169,972	146,911	159,028	255,425	96,397	108,514
Other ⁴	65,454	69,285	61,439	51,750	61,783	10,033	344
Total Revenue	610,156	651,068	636,375	675,293	1,342,874	667,581	706,499
Expenses							
Housing Subsidies	388,236	415,695	382,419	417,146	888,223	471,077	505,804
Rental Assistance	90,428	106,767	112,917	120,617	114,351	(6,266)	1,434
Salaries and Labour	50,251	51,085	52,986	55,256	54,124	(1,132)	1,138
Operating Expenses	22,383	20,768	22,061	19,853	22,028	2,175	(33)
Building Maintenance	12,490	10,803	14,867	13,957	17,425	3,468	2,558
Office and Overhead	10,014	10,155	9,626	10,775	11,274	499	1,648
Building Modernization and Improvement	9,512	9,890	14,829	11,360	10,257	(1,103)	(4,572)
Building Mortgage Costs	8,672	8,533	8,533	8,525	8,525	-	(8)
Utilities	8,571	8,081	8,209	8,476	8,412	(64)	203
Grants in lieu of Property Taxes	6,687	6,801	7,616	7,410	7,532	122	(84)
Research and Education	2,114	1,714	2,146	1,168	1,549	381	(597)
Interest Expense	770	748	131	750	276	(474)	145
Total Expenses	610,128	651,040	636,340	675,293	1,143,976	468,683	507,636
Net Income from Operations	28	28	35	-	198,898	198,898	198,863
Total Debt	130,433	77,216	83,341	30,000	5,000	(25,000)	(78,341)
Accumulated Surplus/Retained Earnings	13,316	4,142	(2,400)	2,239	198,075	195,836	200,475
Total Capital Expenditures	3,041	692	4,984	5,000	5,742	742	758

² The above financial information was prepared based on current Generally Accepted Accounting Principles.

³ In 2016/17 this includes funding of \$424.4 million provided directly by the provincial government to BC Housing, \$553 million from the Housing Priority Initiatives Special Account, \$14.1 million from the Housing Endowment Fund, and \$34.2 million from other partnering ministries/agencies.

⁴ This includes tenant rent and revenues from other sources including builder licensing fees.

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 24, 2017. 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 Commissions. The Audit and Risk Management Committee also recommends the appointment of an external auditor to the Board of Commissioners. The external auditor has full and open access to the Audit and Risk Management Committee, with and without the presence of management.



Shayne Ramsay
Chief Executive Officer



Dan Maxwell
Vice President of Corporate Services
And Chief Financial Officer

May 24, 2017



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Independent Auditor's Report

To the Board of Commissioners of British Columbia Housing Management Commission

We have audited the accompanying financial statements of the British Columbia Housing Management Commission, which comprise the Statement of Financial Position as at March 31, 2017, and the Statements of Operations, Change in Net Financial Assets, Remeasurement Gains and Losses and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the British Columbia Housing Management Commission as at March 31, 2017 and the results of its operations, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 24, 2017

Statement of Financial Position

	March 31 2017 (\$000's)	March 31 2016 (\$000's)
Financial Assets		
Cash	\$ 550,044	\$ 17,084
Portfolio investments (Note 3)	98,762	75,778
Receivables	13,161	7,937
Due from Province of British Columbia (Note 15)	-	299
Due from Canada Mortgage and Housing Corporation (Note 15)	60,253	8,346
Construction loans to housing projects (Note 4)	277,877	205,199
Mortgage receivables (Note 5)	6,882	6,213
	<u>1,006,979</u>	<u>320,856</u>
Liabilities		
Accounts payable and accrued liabilities	37,207	34,119
Deferred revenue (Note 6)	114,167	101,210
Due to Provincial Rental Housing Corporation (Note 7)	236,397	94,775
Tenants' prepaid rent	893	1,088
Due to Provincial Treasury	5,000	83,341
Society funds held on deposit (Note 8)	19,915	20,925
Grants received in advance of construction (Note 9)	436,530	24,732
Social Housing Agreement Reserves (Note 10)	3,449	2,851
	<u>853,558</u>	<u>363,041</u>
Net financial assets / (debt)	<u>153,421</u>	<u>(42,185)</u>
Non-financial assets		
Prepaid expenses and housing subsidies	32,736	30,125
Tangible capital assets (Note 11)	11,918	9,660
	<u>44,654</u>	<u>39,785</u>
Accumulated surplus / (deficit)	<u>198,075</u>	<u>(2,400)</u>
Accumulated surplus / (deficit) is comprised of:		
Accumulated surplus from operations	201,200	2,302
Accumulated remeasurement loss	(3,125)	(4,702)
	<u>\$ 198,075</u>	<u>\$ (2,400)</u>

Commitments (Note 14)
Contingencies (Note 16)

On behalf of the Board

 Chair

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2017 Budget (Note 12) (\$000's)	2017 Actuals (\$000's)	2016 Actuals (\$000's)
Revenue			
Provincial contributions	\$ 464,515	\$ 1,025,666	\$ 428,025
Federal contributions	159,028	255,425	146,911
Tenant rent	32,445	34,609	36,112
Other	15,305	19,797	17,420
Portfolio investment income	4,000	7,377	7,907
	<u>675,293</u>	<u>1,342,874</u>	<u>636,375</u>
Expenses			
Housing subsidies	417,146	888,223	382,419
Rental assistance	120,617	114,351	112,917
Salaries and labour	55,256	54,124	52,986
Operating expenses	19,853	22,028	22,061
Building maintenance	13,957	17,425	14,867
Office and overhead	10,775	11,274	9,626
Building modernization and improvement	11,360	10,257	14,829
Building mortgage costs	8,525	8,525	8,533
Utilities	8,476	8,412	8,209
Grants in lieu of property taxes (Note 13)	7,410	7,532	7,616
Research and education	1,168	1,549	2,146
Interest expense	750	276	131
	<u>675,293</u>	<u>1,143,976</u>	<u>636,340</u>
Annual surplus from operations		<u>198,898</u>	<u>35</u>
Accumulated surplus from operations at beginning of year		<u>2,302</u>	<u>2,267</u>
		<u>\$ 201,200</u>	<u>\$ 2,302</u>

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31	2017 (\$000's)	2016 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 198,898	\$ 35
Adjustments to determine cash flows:		
Change in non-cash working capital	(43,593)	30,999
Amortization	3,484	3,361
	158,789	34,395
Capital transactions		
Tangible capital asset additions	(5,742)	(4,984)
Investing transactions		
Construction loans provided to housing projects	(72,678)	(28,942)
Portfolio investments	(21,156)	(7,848)
Mortgages receivable	(669)	6,774
	(94,503)	(30,016)
Financing transactions		
Grants received in advance of construction	411,798	(23,574)
Due to Provincial Treasury	(78,341)	6,125
Due to Provincial Rental Housing Corporation	141,622	25,263
Social Housing Agreement Reserves	347	193
Society funds held on deposit	(1,010)	6,433
	474,416	14,440
Increase in cash	532,960	13,835
Cash, beginning of year	17,084	3,249
Cash, end of year	\$ 550,044	\$ 17,084

See accompanying notes to the financial statements

Statement of Remeasurement Gains and Losses

Year Ended March 31	2017 (\$000's)	2016 (\$000's)
Accumulated remeasurement gains, beginning of year	\$ (4,702)	\$ 1,875
Unrealized gain (loss) attributable to portfolio investments	1,577	(6,577)
Net remeasurement changes for the year	1,577	(6,577)
Accumulated remeasurement loss, end of year	\$ (3,125)	\$ (4,702)

Statement of Change in Net Debt

Year Ended March 31	Budget (\$000's) (note 12)	2017 (\$000's)	2016 (\$000's)
Annual surplus from operations		\$ 198,898	\$ 35
Net remeasurement changes for the year		1,577	(6,577)
		200,475	(6,542)
Depreciation of tangible capital assets		3,484	3,361
Acquisition of tangible capital assets	(5,000)	(5,742)	(4,984)
		(2,258)	(1,623)
Acquisition of prepaid expenses and housing subsidies		(357,510)	(333,312)
Use of prepaid expenses and housing subsidies		354,899	331,338
		(2,611)	(1,974)
Changes in net financial assets / (debt) for the year		195,606	(10,139)
Net debt, beginning of year		(42,185)	(32,046)
Net financial assets / (debt), end of year		\$ 153,421	\$ (42,185)

See accompanying notes to the financial statements

Notes to the Financial Statements

March 31, 2017

1. General

The British Columbia Housing Management Commission is a Crown agency, established in 1967, responsible for developing new social housing under Provincial Housing Programs, administering the Province's Shelter Aid for Elderly Renters program, Rental Assistance Program, licensing of builders, overseeing the third-party home warranty insurance system; and administering a variety of other federal and/or provincial housing programs. The Commission manages public housing stock and administers agreements relating to units managed by housing sponsors. The Commission ensures that provincial housing policy is reflected in its programs and that these are delivered in a co-ordinated, cost-effective manner. The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

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).

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 capital assets and the write-down of proposal development advances require the greatest degree of estimation. Actual results could differ from those estimates.

Revenue Recognition

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

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.

Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated over their estimated useful lives.

Desktop applications and computer hardware are depreciated on a three year amortization period. Server applications and communications hardware and components are depreciated on a five year amortization period. Enterprise applications are depreciated on a ten year amortization period. All other capital assets are depreciated over a five year amortization period.

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 pension plan. Basic pension benefits are defined. The Plan has approximately 57,700 active plan members and approximately 44,800 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, 2014, indicated an actuarial surplus of \$194 million for basic pension benefits. The next valuation will be as at March 31, 2017 with results available in early 2018. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid \$4,174,568 for employer contributions to the Plan in fiscal 2017 (2016: \$4,003,121).

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, loan receivables, mortgage receivables, construction loans to housing projects, accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation, due to Provincial Treasury and Society funds held on deposit. These financial instruments are accounted for as follows:

Portfolio Investments

Portfolio investments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Realized gains and losses are recognized in the operating statement and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement gains and losses.

Other Financial Instruments

All other financial instruments are recorded on the cost or amortized cost basis using the

effective interest rate method where appropriate.

3. Portfolio Investments

BC Housing invests funds held on behalf of non-profit housing providers, funds for specific reserves and funds provided by ministries for specific housing projects. These investments are held in pooled investments and managed by four investment management firms. Income derived under the investments is reinvested into the portfolio. An investment committee meets periodically to review the performance of the fund managers and ensure compliance with the BC Housing investment policy. Quarterly reports are provided to the Board. The investment policy has the following asset target components: 30% Fixed Income, 15% Canadian Equity; 20% Canadian real estate and 35% Global Equity. The market yield during fiscal 2016/17 was 10.21% (2015/16: 1.70%).

4. Construction Loans to Housing Projects

In its capacity as a National Housing Act approved lender, the Commission funds construction draws for societies who are building approved projects under social housing programs. These advances are repaid at substantial completion of each project from financing arranged with private lenders. The average period of construction financing can range from eighteen months to over two years. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The current average yield for the portfolio is 0.89% (2015/16: 1.08%)

5. Mortgage Receivables

a) Non-profit Housing Provider Mortgage Receivables

The Commission periodically continues to hold construction financing mortgage receivables 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, 2017, the total value of construction financing mortgage receivables was \$4,100,000 (2016: \$6,213,000). These mortgages are secured by property and bear weighted average interest of 0.90% in 2016/17 (2015/16: 1.09%).

b) BC HOME Partnership Loan Receivables

Through the BC Home Owner Mortgage and Equity Partnership (BC HOME Partnership), the Commission assists eligible first-time homebuyers by providing repayable down payment assistance loans. The loans, secured as a second mortgage by property, are interest and payment free for the first five years after which interest at 3.2% will begin to accrue and principal and interest payments will be amortized over twenty years. The initial interest rate is set when the loan is conditionally approved, and will be reset at the Royal Bank of Canada Prime Rate plus 0.5% at each of the 10th, 15th and 20th anniversary dates.

As the first five years of the loans are concessionary, the loans have been recorded at the present value, discounted at 3.2% in 2016/17. 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. As of March 31, 2017, the total value of the loan receivables was \$2,882,000.

6. Deferred Revenue

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

	2016	Contributions	Revenue	2017
	(\$000's)	Received	Recognized	(\$000's)
		(\$000's)	(\$000's)	
Provincial Contributions	\$ 40,962	\$ 990,024	\$ (986,602)	\$ 44,384
Canada Mortgage and Housing Corporation	59,838	251,043	(241,133)	69,748
Other Agencies	410		(375)	35
	\$ 101,210	\$ 1,241,067	\$ (1,228,110)	\$ 114,167

The Social Housing Agreement Reserves (see Note 10) represent further restricted contributions from Canada Mortgage and Housing Corporation of a long term nature.

7. Due to Provincial Rental Housing Corporation

Amounts 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. Provincial Rental Housing Corporation (PRHC) is a Crown corporation managed by the Commission.

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 province's weighted average borrowing rate for short term funds of 0.95%.

9. Grants received in advance of construction

The Commission receives funds from the Province and Canada Mortgage and Housing Corporation (CMHC), the use of which is restricted to the construction of specific social housing projects.

	2016 (\$000's)	Grants received (\$000's)	Construction costs incurred (\$000's)	2017 (\$000's)
Project Grants	\$ 11,716	\$ 28,795	\$ (25,613)	\$ 14,898
Provincial Economic Stimulus Fund	-	2,286	(2,286)	-
Provincial FCI Fund	-	12,379	(12,379)	-
Housing Priority Initiative Funding	-	353,000	(28,047)	324,953
CMHC - IAH (Phase I and Phase II)	9,557	1,321	(4,940)	5,938
CMHC - SHA	3,172	-	(2,544)	628
Federal - SIF	-	102,544	(12,720)	89,824
Ministry - Other	287	2	-	289
	\$ 24,732	\$ 500,327	\$ (88,529)	\$ 436,530

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.

	2017 (\$000's)	2016 (\$000's)
Balance, beginning of year	\$ 2,851	\$ 2,660
Funds applied	347	193
Investment income	251	(2)
Balance, end of year	\$ 3,449	\$ 2,851

11. Tangible Capital Assets

	2016 (\$000's)			2017 (\$000's)	
	Cost	Additions	Disposals	Cost	
Computer software	\$ 36,879	4,576	719	\$ 40,736	
Computer hardware	2,769	76	-	2,845	
Tenant improvements	9,861	535	-	10,396	
Office furniture	2,691	202	-	2,893	
Office equipment	164	-	-	164	
Vehicles	1,388	316	86	1,618	
Grounds equipment	496	37	-	533	
	\$ 54,248	5,742	805	\$ 59,185	

	2016			2017	
	Accumulated Depreciation	Amortization	Disposals	Accumulated Depreciation	
Computer software	\$ 28,619	2,673	719	\$ 30,573	
Computer hardware	2,489	148	-	2,637	
Tenant improvements	9,216	395	-	9,611	
Office furniture	2,566	88	-	2,654	
Office equipment	159	5	-	164	
Vehicles	1,046	164	86	1,124	
Grounds equipment	493	11	-	504	
	\$ 44,588	3,484	805	\$ 47,267	

Net Book Value	\$ 9,660			\$ 11,918	
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12. Budget figures

Budgeted figures are provided for comparative purposes, and are consistent with the 2016/17 Service Plan budgeted figures that were released in early 2016.

13. Grants in Lieu of Property Taxes

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

14. Commitments

- a) Rental Obligations

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

	(\$000's)
2018	\$ 5,099
2019	5,093
2020	5,439
2021	5,106
2022	5,223
	<u>\$ 25,960</u>

b) Contractual Obligations

The Commission has significant contractual obligations with non-profit housing societies for the provision of annual subsidies. The current annual subsidy is \$384,652,000 with a forecasted amount \$1,254,821,000 over five years. These contracts are reviewed annually to evaluate the level of commitment.

c) Public-Private Partnership Commitments

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

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

	Capital (\$000's)	Facility Maintenance and Lifecycle (\$000's)	Total Payments (\$000's)
2018	9,461	2,051	11,512
2019	9,461	2,731	12,192
2020	9,461	2,444	11,905
2021	9,461	2,735	12,196
2022	9,461	2,228	11,689
Thereafter	83,566	19,240	102,806
Total	\$ 130,871	\$ 31,429	\$ 162,300

e) Loan Insurance Agreement

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

The maximum value of mortgages that can be insured under this agreement is \$3.5 billion. As of March 31, 2017, the total value of outstanding CMHC insured mortgages was \$2,119,062,248 (2016: \$1,791,349,142). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

15. Related Party Transactions

In the normal course of operations, the Commission periodically invoices the provincial government and federal/provincial crown agencies under various funding arrangements or agreements for social housing programs. Funds are due on receipt of the invoice and bear no interest.

These statements do not include the capital cost of projects owned by PRHC. Separate financial statements are prepared for PRHC which is a Crown corporation managed by the Commission.

16. Contingencies

Letters of Guarantee

As at March 31, 2017, the Commission was contingently liable with respect to letters of guarantee totalling \$2,638,522 (2016: \$1,661,265) for municipal development cost charges.

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, 2017, 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.

17. Financial Instrument Risks

The Commission, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2017:

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, accounts receivable, mortgage receivables and construction loans.

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. The majority of receivables are due from federal and provincial agencies. Mortgage receivables are secured by property (see Note 5). Construction loans are also secured by property and repaid at substantial completion of project (see Note 4).

b) Interest Rate Risk

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

c) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

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 when they fall due.

18. Capital Disclosures

The Commission considers its capital to be its accumulated surplus. The accumulated surplus consists of amounts invested in tangible capital assets, prepaid expenses and housing subsidies, and net debt. The Commission's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services. Annual budgets are developed and monitored to ensure the Commission's capital is maintained at an appropriate level.

As a Crown corporation, the Commission cannot incur an annual or cumulative deficit without the prior approval of the Minister Responsible for Housing.

Financial Statements: Provincial Rental Housing Corporation

Statement of Management Responsibility

The financial statements of the Provincial Rental Housing Corporation (the Corporation) are the responsibility of management and have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 24, 2017. 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 financial managements of Corporation and meets when required.



Shayne Ramsay
President



Dan Maxwell
Chief Financial Officer

May 24, 2017



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Independent Auditor's Report

To the Shareholder of Provincial Rental Housing Corporation

We have audited the accompanying financial statements of the Provincial Rental Housing Corporation, which comprise the Statement of Financial Position as at March 31, 2017, and the Statements of Operations, Change in Net Debt, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 14 to the financial statements discloses the impact of these differences.

BDO Canada LLP

Chartered Professional Accountants

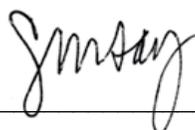
Vancouver, British Columbia
May 24, 2017

Statement of Financial Position

	March 31 2017 (\$000's)	March 31 2016 (\$000's)
Financial assets		
Cash	\$ 1	\$ 1
Debenture subsidy receivable	839	840
Due from BC Housing Management Commission (Note 3)	236,397	94,775
Long-term receivables (Note 5)	293,207	249,663
Loan receivables (Note 4)	632	1,604
Due from Federal Government	-	10,854
	<u>531,076</u>	<u>357,737</u>
Liabilities		
Interest payable	366	394
Deferred contributions (Note 6)	578,696	601,526
Unearned lease revenue	37,631	40,679
Site contamination (Note 7)	7,067	7,342
Long-term debt (Note 9)	240,963	248,679
	<u>864,723</u>	<u>898,620</u>
Net debt	<u>(333,647)</u>	<u>(540,883)</u>
Non-financial assets (Note 10)		
Housing and projects under construction	1,278,097	1,195,883
Riverview lands redevelopment	12,593	6,084
	<u>1,290,690</u>	<u>1,201,967</u>
Accumulated surplus	<u>\$ 957,043</u>	<u>\$ 661,084</u>

Commitments (Note 11)

On behalf of the Board:

 Director
  Director

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2017 (\$000's)	2016 (\$000's)
Revenue		
Provincial subsidy	\$ 28,192	\$ 22,047
Contribution revenue	58,661	38,561
Gain on sale of property	269,516	22,042
Lease revenue	3,123	25,564
Interest income	-	5,680
	359,492	113,894
Expenses		
Depreciation	47,627	42,628
Interest on long-term debt	10,952	7,201
Social housing grant and subsidy	3,110	1,784
Group home and self insurance claims	1,844	534
	63,533	52,147
Annual surplus from operations	295,959	61,747
Accumulated surplus from operations at beginning of year	661,084	599,337
Accumulated surplus from operations at end of year	\$ 957,043	\$ 661,084

See accompanying notes to the financial statements

Statement of Change in Net Debt

Year Ended March 31	2017 (\$000's)	2016 (\$000's)
Annual surplus	\$ 295,959	\$ 61,747
Acquisition of tangible capital assets	(171,642)	(121,018)
Depreciation of tangible capital assets	47,627	42,628
Disposal of tangible capital assets	41,801	56,538
	(82,214)	(21,852)
Riverview lands redevelopment	(6,509)	(1,601)
Changes in net debt for the year	207,236	38,294
Net debt, beginning of year	(540,883)	(579,177)
Net debt, end of year	\$ (333,647)	\$ (540,883)

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31	2017 (\$000's)	2016 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 295,959	\$ 61,747
Adjustments to determine cash flows:		
Depreciation	47,627	42,628
Amortization of deferred contributions	(52,157)	(39,670)
Gain on sale of property	(269,516)	(22,042)
Amortization of unearned lease revenue	(3,048)	(25,489)
Change in non-cash working capital	11,799	(3,983)
	<u>30,664</u>	<u>13,191</u>
Capital transactions		
Property acquisitions	(171,642)	(121,018)
Proceeds on sale of property	311,317	78,580
Riverview lands redevelopment	(6,509)	(1,601)
	<u>133,166</u>	<u>(44,039)</u>
Financing transactions		
Deferred contributions	29,327	37,750
New long-term debt financing	33,010	40,621
Site contamination	(275)	(78)
Due from BC Housing Management Commission	(141,622)	(25,263)
Long-term debt repayment	(40,726)	(17,121)
Long-term receivable	(43,544)	(5,061)
	<u>(163,830)</u>	<u>30,848</u>
Increase in cash	-	-
Cash, beginning of the year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

See accompanying notes to the financial statements

Notes to the Financial Statements

March 31, 2017

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 sponsors. 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 agency that records the related rental revenue and is responsible for all of the operating and administrative activities and related costs. Separate financial statements are prepared for the Commission.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Provincial 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 14. The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada is responsible for establishing Canadian public sector accounting standards.

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 while the Riverview redevelopment is an estimate based on transfer value and total capitalized costs. Actual results could differ from those estimates.

Tangible Capital Assets

- a) The Corporation capitalizes its tangible capital assets at cost and depreciates its buildings on the straight-line method as follows:

Newly constructed buildings are depreciated on a forty year amortization period. Purchases of older buildings are depreciated over the remaining estimated useful life of the building. 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.

- b) For some social housing projects and group homes, the Province provides grants to the Corporation for a portion of the construction costs.

From time to time, the Corporation disposes of property purchased for social housing projects that cannot proceed due to various circumstances. The proceeds from these sales are applied against the cost of purchasing alternate sites as appropriate. Any surplus or deficiency resulting from those sales is credited or charged to revenue.

- c) 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 partners' operating costs, financing costs and a return of their capital.

- d) Riverview Lands Re-development

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.

Government Capital Grants

Consistent with the Province of British Columbia, Ministry of Finance regulation 198/2011 capital grants are recorded as a liability (deferred capital contribution) which is amortized to income over the life of the capital asset being funded.

Property Leases

The Corporation leases property used for housing projects to housing sponsors. These sixty-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.

Deferred Contributions

Funding received from the Province used for acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets. The requirements of 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 14).

Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to net assets invested in properties when the related assets are acquired.

Financial Instruments

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

3. Due from British Columbia Housing Management Commission

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The amounts are non-interest bearing with no set terms of repayment.

4. Loan Receivables

The Corporation has transferred a number of Rural and Native Housing projects to various Aboriginal Housing Providers over the last two years. These properties were originally transferred to the Corporation as part of the devolution of federal housing in 2006 with the intention that they would eventually be transferred to aboriginal management and ownership. Repayable loans are associated with each property, with a total value of \$631,515 (2016: \$1,603,721). Each loan has different repayment dates with interest rates ranging from 3% to 6%. The final loan is to be repaid in fiscal 2018/19.

5. Long-term Receivables

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

(\$000's)

BC Housing

Little Mountain:	
March 31, 2016	\$
Balance	249,663
Principle Adjustment	(10,129)
Interest Adjustment	(145)
	239,389
Cedar Place	53,818
March 31, 2017	\$
Balance	293,207

a) Little Mountain

The Corporation completed the sale of Little Mountain property on July 2, 2013, for proceeds of \$333.96 million. The purchaser is required to provide the Corporation with 234 non-market housing units and to pay the balance of the purchase price based on the proportion of the site developed in phases over time. The current receivable is adjusted based on the updated cash flow forecast and it is equal to the net present value of the remaining expected future payments and the fair value of the 181 social housing units not constructed, discounted at 2.5% (2015/16: 3.25%).

b) Cedar Place

The sale of the Cedar Place property was completed on March 22, 2017 for proceeds of \$53.818 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 PRHC.

6. Deferred Contributions

		2017 (\$000's)		2016 (\$000's)
Balance, beginning of year	\$	601,526	\$	603,446
Receipts		29,327		37,750
Amortization		(52,157)		(39,670)
Balance, end of year	\$	578,696	\$	601,526

Deferred 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).

7. Site Contamination

MTICS and the Ministry of Health transferred \$7.4 million to the Corporation for remediation of contaminated sites at the Riverview Lands project site. This exceeds the current best estimate of the present value of remediation costs required of \$5.5 million. However, the full \$7.4 million is recorded as a liability because any portion of the amount transferred that proves to exceed the actual

amount required will be repayable by the Corporation to MTICS. The Corporation will review the contamination and cost of remediation over the life of the projects and will adjust the liability as information becomes available.

8. Related Party Transactions

a) Insurance

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

b) Directly Managed Debenture Subsidy

Directly managed debenture subsidy represents funds received from the Commission for the principal and interest costs of the long-term debt related to directly managed properties.

c) Group Home Mortgage Subsidy

Group home mortgage subsidy represents the funds received from the Commission for mortgage payments to chartered banks and CMHC.

d) Administration and Financing

The Commission acts as agent in administering and financing the operations and capital projects of the Corporation. No administration costs are charged to the Corporation for such services performed.

9. Long-Term Debt

	2017	2016
	(\$000's)	(\$000's)
Canada Mortgage and Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2027, with a weighted average rate of 7.76% (2016: 7.97%) and secured by unregistered first mortgages on properties of the Corporation.	\$ 47,868	\$ 52,659
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with a weighted average rate of 2.51% (2016: 2.63%), secured by registered first mortgages on properties of the Corporation.	109,618	102,935
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. As of March 31, 2017, the total amount paid since inception was \$16,003,469.	83,477	93,085
	\$ 240,963	\$ 248,679

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

	(\$000's)
2018	\$ 33,016
2019	26,869
2020	25,887
2021	29,204
2022	21,588
Thereafter	104,399
	\$ 240,963

10. Non-Financial Assets

a) Housing and property under construction

Cost	2016 (\$000's)			2017 (\$000's)
	Beginning	Additions	Disposals	Ending
Land	\$ 404,090	\$ 34,474	\$ (22,017)	\$ 416,547
Buildings	1,028,866	192,263	(42,036)	1,179,093
Construction in progress	89,643	(55,095)		34,548
	\$ 1,522,599	\$ 171,642	\$ (64,053)	\$ 1,630,188

Depreciation	Beginning Accumulated	Annual Expense	Disposals Adjustments	Ending Accumulated
Buildings	\$ 326,716	\$ 47,627	\$ (22,252)	\$ 352,091

Net Book Value	Beginning	Ending
Land	\$ 404,090	\$ 416,547
Buildings	702,150	827,002
Construction in progress	89,643	34,548
	\$ 1,195,883	\$ 1,278,097

b) Riverview Lands Redevelopment

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

	2016 (\$000's)			2017 (\$000's)
	Beginning	Expenses	Revenue	Ending
Construction	\$ 5,091	5,369	-	\$ 10,460
Net operating	993	5,797	(4,657)	2,133
	\$ 6,084	\$ 11,166	\$ (4,657)	\$ 12,593

As part of its ongoing consultations with the Kwikwetlem First Nation (KFN) respecting the future use and redevelopment of the Riverview Lands, BC Housing 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. PRHC, BC Housing and the KFN continue to work together to conclude a final impact benefits agreement in relation to the Riverview Lands.

11. Commitments

The Corporation has entered into a public-private partnership project with Habitat Housing Initiative (HHI) to renovate thirteen Single Room Occupancy Hotels in Vancouver’s Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions provided during construction, for future obligations under the contract including the Commissions’ annual service payments to 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 (see Note 10) and the obligation is recorded as a liability and included in long-term debt (see Note 9). 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 paid directly by the Commission.

a) Annual Service Payments

	Capital (\$000's)	Facility Maintenance and Lifecycle (\$000's)	Total Payments (\$000's)
2018	9,461	2,051	11,512
2019	9,461	2,731	12,192
2020	9,461	2,444	11,905
2021	9,461	2,735	12,196
2022	9,461	2,228	11,689
Thereafter	83,566	19,240	102,806
Total	\$ 130,871	\$ 31,429	\$ 162,300

12. 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, 2017.

a) Credit Risk

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

13. 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. The Commission is also responsible for initiating decisions around purchases, new developments and the rehabilitation or modernization of the Corporation's properties.

14. 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 amortizing them to income on the same basis as the related amortization expense. 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, 2016, an increase to annual surplus of \$310,000; and,
- b) For March 31, 2016, an increase to accumulated surplus and a decrease to contributions of \$499,513,000.
- c) For the year-ended March 31, 2017, an increase to annual surplus of \$2,646,000; and,

- d) For March 31, 2017, an increase to accumulated surplus and a decrease to contributions of \$502,159,000.

Appendix A – BC Housing Mandate and Actions Summary

In the 2016/17 Mandate Letter and 2016/17 Supplemental Letter of Direction from the minister responsible, BC Housing received direction on strategic priorities for the 2016/17 fiscal year. These priorities and BC Housing's resulting actions are summarized below:

Mandate Letter Direction	BC Housing's Action
<p>1. Support a strong non-profit sector through a range of activities and initiatives that include implementation of the <i>Non-Profit Asset Transfer Program</i>, as well as education and training partnerships with the BC Non-Profit Housing Association (BCNPHA).</p>	<ul style="list-style-type: none"> • Continued to transfer Provincial Rental Housing Corporation (PRHC) properties to non-profit housing providers, including PRHC-leased land in social housing projects and two public housing sites through the <i>Non-Profit Asset Transfer Program</i>. • As of March 31, 2017, transferred 156 properties, including four housing sites that were owned and directly managed by BC Housing: Stamps Place, Nicholson Towers, Sunset Towers, and Ted Kuhn Towers. • Supported education and training partnerships with BCNPHA, including piloting and launching new courses on governance and housing partnerships. • Supported BCNPHA's entry level course on capital planning for non-profit housing providers. • Continued to support BCNPHA with the Facilities Operations and Maintenance (FOAM) training program for the non-profit housing sector to foster a culture of energy management. • Began work with BCNPHA on the development of a new performance measure that demonstrates the strength of the non-profit housing sector. • Reformed existing social housing operating agreements and programs to provide greater flexibilities and tools for non-profit housing providers to support long-term sustainability.
<p>2. Support a strong, self-reliant Aboriginal housing sector through strategic initiatives with the Aboriginal Housing Management Association (AHMA) and innovative partnerships for the creation of new housing options.</p>	<ul style="list-style-type: none"> • Issued a call for Expressions of Interest to Aboriginal housing providers and municipalities partnering with Aboriginal housing providers interested in creating new affordable rental housing units for Aboriginal households living off-reserve under the <i>Aboriginal Provincial Investment of Affordable Housing</i>. • As of March 31, 2017, transferred three provincially-owned properties (178 units) to Aboriginal non-profit housing societies under the <i>Non-Profit Asset Transfer Program</i>.

Mandate Letter Direction	BC Housing's Action
	<ul style="list-style-type: none"> • Supported development of more housing options for Aboriginal people by maximizing the number of affordable housing units created for Aboriginal people through our programs and partnerships. • Continued to work with AHMA to support their capacity with respect to Aboriginal social housing administration. • Created BC Housing's first Aboriginal Procurement Policy to increase the economic and social betterment of Aboriginal communities and individuals by actively encouraging Aboriginal businesses to participate in BC Housing procurement opportunities.
<p>3. Respond to needs along the housing continuum through programs and initiatives to break the cycle of homelessness, including enhanced rent assistance and creating new housing options for low and moderate income households.</p>	<ul style="list-style-type: none"> • Created over 2,000 new units for low and moderate income individuals and families, including frail seniors, youth, Aboriginal households, people with physical and mental disabilities, and homeless individuals. • As of March 31, 2017, allocated more than 1,550 portable monthly rent supplements to service providers through the <i>Homeless Prevention Program</i>, based on 38 communities throughout B.C. These rent supplements assist identified at-risk groups facing homelessness. • Continued to administer the <i>Provincial Investment in Affordable Housing</i> program to construct and renovate social housing units. • Announced an investment of \$63 million towards new construction or renovations under the <i>Social Infrastructure Fund</i>, with an additional \$150 million from the Government of Canada, to help improve the quality and increase the supply of affordable rental housing in B.C. • Provided financial assistance to low income seniors and working families in the private market through rent assistance programs. • Delivered programs to help break the cycle of homelessness through the <i>Emergency Shelter</i>, <i>Homeless Outreach</i>, and the <i>Homeless Prevention</i> programs. • Supported women (with or without dependent children) who have experienced violence or are at risk of experiencing violence through the <i>Women's Transition Housing and Supports</i> program.

Mandate Letter Direction	BC Housing's Action
	<ul style="list-style-type: none"> • Improved online services through BC Housing's new website to support clients and partners more effectively.
<p>4. Support consumer confidence by completing implementation of the enhanced licensing system for home builders and strengthen warranty regulations in the <i>Homeowner Protection Act</i>.</p>	<ul style="list-style-type: none"> • Improved the quality of owner-built homes by requiring owner builders to pass an exam to ensure their knowledge of construction and legal obligations. • Enhanced licensing system for residential builders by requiring new applicants for a general contractor licence to demonstrate proficiency in the construction sector. • Consulted industry and government partners on amendments to the warranty insurance provisions of the <i>Homeowner Protection Act</i> to further strengthen consumer protections. • Completed implementation of the enhanced licensing system for home builders.
<p>5. Support housing affordability, funded through the new Housing Priority Initiatives Special Account or other sources, to improve access to homeownership for first time homebuyers and to increase housing affordability in rental markets through the construction of rental housing.⁵</p>	<ul style="list-style-type: none"> • Launched the <i>BC Home Owner Mortgage and Equity Partnership</i> program to assist residents of B.C. who are eligible first-time homebuyers by providing repayable down payment assistance loans. • Launched the <i>Investment in Housing Innovation</i> program to create new units of affordable rental housing. • Acquired new housing for people with mental health or substance use challenges under the <i>Mental Health Housing</i> program.

⁵ This priority was added mid-year in the 2016/17 Supplemental Letter of Direction.