

BC Housing

**2020/21
Annual Service Plan Report**



For more information on BC Housing contact:

Home Office

Suite 1701 – 4555 Kingsway, Burnaby, British Columbia V5H 4V8

E-mail: webeditor@bchousing.org

Phone: 604-433-1711 | Fax: 604-439-4722

Licensing and Consumer Services

Suite 203 – 4555 Kingsway, Burnaby, British Columbia V5H 4T8

E-mail: licensinginfo@bchousing.org

Telephone: 604-646-7050 | Toll-free in Canada: 1-800-407-7757

Interior Region

451 Winnipeg Street, Penticton, British Columbia V2A 5M6

E-mail: interiorregion@bchousing.org

Phone: 250-493-0301 | Outside Penticton call: 1-800-834-7149 | Fax: 250-492-1080

Lower Mainland Non-Profit Office

Suite 1701 – 4555 Kingsway, Burnaby, British Columbia V5H 4V8

E-mail: LMNonProfit@bchousing.org

Telephone: 604-433-1711 | Fax: 604-525-8201

Lower Mainland Directly Managed Office

Suite 510 – 369 Terminal Avenue, Vancouver, British Columbia V6A 4C4

E-mail: LMDirectlyManaged@bchousing.org

Telephone: 604-609-7024 | Fax: 604-609-7031

Northern Region

1380 – 2nd Avenue, Prince George, British Columbia V2L 3B5

E-mail: northernregion@bchousing.org

Telephone: 250-562-9251 | Outside Prince George call: 1-800-667-1235 | Fax: 250-562-6488

Vancouver Island Region

Suite 201 – 3440 Douglas Street, Victoria, British Columbia V8Z 3L5

E-mail: vanislandregion@bchousing.org

Telephone: 250-475-7550 | Fax: 250-475-7551

Supportive Housing Services - Orange Hall

297 East Hastings Street, Vancouver, British Columbia V6A 1P2

Email: OrangeHall@bchousing.org

Telephone: 604-648-4270

Program and Information Line

1-800-257-7756

or visit our websites at: www.bchousing.org

Published by BC Housing

Board Chair's Accountability Statement



The *BC Housing 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Cassie J. Doyle".

Cassie J. Doyle
Board Chair
August 6, 2021

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Letter from the Board Chair and CEO

We are pleased to submit the BC Housing 2020/21 Annual Service Plan Report.

It is difficult to measure the impact the pandemic has had on our communities, particularly those who are most marginalized. We learned a great deal during COVID-19 and there is still much work to do to support those in need. As we reflect on the past year, it is clear that BC Housing worked harder than ever to quickly adapt and find solutions to better serve our partners, clients and communities across the province. You can read more about our response to COVID-19 in the Operating Environment of this report.

In addition to developing and implementing a considerable number of emergency responses to the pandemic, BC Housing made the following achievements in 2020/21:

- Continued to build new affordable housing in communities across the province, as well as preserve existing social housing stock through repairs and upgrades;
- Responded to homelessness, including moving 605 people living in encampments at Oppenheimer Park in Vancouver, and Topaz Park and Pandora Avenue in Victoria into safe, temporary spaces;
- Worked with the federal government, through the Canada Mortgage and Housing Corporation (CMHC), to launch the *Canada – British Columbia Housing Benefit*, a new housing benefit that provides financial assistance to low-income marginalized groups to help with their monthly rent payments;
- Consulted with Two Worlds Consulting (TWC) to guide the development of a Reconciliation Strategy. TWC produced the report, [Reconciliation: Moving Forward Together](#) to support the first phase in creating a broader and more meaningful framework to strengthen our commitment in implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), the Truth and Reconciliation Commission’s (TRC) Calls to Action, and B.C.’s *Declaration on the Rights of Indigenous Peoples Act* (DRIPA);
- Created a new Office of Equity, Diversity, Inclusion and Belonging (OEDIB) to lead change and advance work that applies a deep equity analysis to our business operations, programs, policies, strategies and measures;
- Completed a strategic sustainability framework to inform the development of a new sustainability and resiliency strategy;
- Renamed the Riverview Lands to səmiq̓ʷəʔelə, meaning “Place of the Great Blue Heron” in recognition and respect of the k̓w̓ik̓ʷəʔləm First Nation’s historical and cultural ties to their ancestral land; and
- Relaunched the *BC Rebate for Accessible Home Adaptations* (BC RAHA) program, previously known as the *Home Adaptations for Independence* (HAFI) program, after a number of improvements were made to help seniors and people with permanent disabilities or diminished abilities with the cost of making adaptations to their homes for independent living.

The results described in this report are from commitments in the 2020/21 – 2022/23 Service

Plan and align with BC Housing's [2020/21 Mandate Letter](#) from the Minister of Municipal Affairs and Housing in January 2020.



Cassie J. Doyle
Board Chair, BC Housing

August 6, 2021



Shayne Ramsay
CEO, BC Housing

August 6, 2021

Purpose of the Annual Service Plan Report

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

Purpose of the Organization

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

In 2020/21, BC Housing assisted 117,790 households in more than 300 communities across the province through a range of programs, initiatives and partnerships. Assistance ranged from emergency shelter and homeless outreach, transition houses, safe homes and second stage housing, independent and supportive social housing, rent assistance in the private market, home adaptations for seniors and persons with disabilities, as well as help for first-time homeowners. BC Housing worked in partnership with the non-profit, co-op and Indigenous housing sectors to deliver most of these programs, including creating 4,222 affordable and supportive housing units for low- to moderate-income households including families, seniors, youth, people with disabilities, Indigenous peoples, those experiencing homelessness and at risk of homelessness, and women and children fleeing violence. Of these, 3,953 units are created through BC Housing's development programs, and 269 units through units made available for marginalized populations within existing, newly purchased buildings. These units created more homes for households in B.C., including applicants waiting for housing on the Housing Registry.¹ Additionally, approximately 8,200 residential builders were licensed, 1,050 owner builders were authorized, and 28,486 new homes were enrolled in home warranty insurance through third-party home warranty insurance providers.

BC Housing funded a range of housing options and supports available to youth, including Youth Specific Housing, the Homeless Prevention Program, the Rental Assistance Program, the Women's Transition Housing and Supports Program, the Housing Registry and the Supportive Housing Registry.

¹ As of March 31, 2021, there were more than 22,500 households on the Housing Registry.

Strategic Direction

The strategic direction set by Government in 2017, and expanded upon in the Board Chair's [2020/21 Mandate Letter](#) from the Minister of Municipal Affairs and Housing, shaped the goals, objectives, performance measures and financial plan outlined in the [2020/21 BC Housing Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to BC Housing goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

Operating Environment

In 2020/21 BC Housing's operating environment and ability to achieve performance targets was greatly influenced by the COVID-19 global pandemic and the concurrent opioid and homelessness crises. In response to the declared public health emergency and provincial state of emergency, BC Housing activated the Pandemic Plan which is part of our Business Continuity Plan. This allowed for much of our core work to continue, while also responding to the emergent needs of partners, tenants, communities, and staff.

Provincial government investments in housing since Budget 2017 continued to positively impact BC Housing's 2020/21 operating environment and enabled progress towards our performance targets in the face of the COVID-19 pandemic. Despite this advantage, the pandemic environment negatively impacted BC Housing's ability to meet some of our performance targets.

In step with the Provincial Restart Plan, BC Housing adopted our own COVID-19 Recovery Planning Framework to review and revise our strategy and operations. This framework guided the integration of learnings from the pandemic experience with our commitment to deliver on the core programs and services of our mandate and the delivery of the new initiatives and temporary programs implemented as part of the COVID-19 response.

Specific events that affected BC Housing's performance and risk mitigation strategies in 2020/21 include:

Move to a Digital Workplace

In March 2020, 70% of BC Housing's staff immediately moved to a remote work environment. The inability to meet in-person challenged means of staff engagement, developing partnership relationships and knowledge sharing. To address these challenges, BC Housing implemented regular staff update meetings with the CEO and leadership to support employee engagement, as well as frequent webinars with sector partners and health experts to share updates, respond to questions about COVID-19 and its impact on operating housing and shelters.

The move to online business also increased risks for our non-profit partners with respect to cybersecurity and lack of access to appropriate technology. BC Housing's Housing Provider Technology Support Program was launched to support the sector in preventing and mitigating these risks.

Mitigating COVID-19 spread in community housing² and shelters

Supply shortages of personal protective equipment (PPE), cleaning and hygiene products and meals greatly impacted the operations of community housing and shelter operations throughout the province. To mitigate the spread of COVID-19 and support tenants to stay home, BC Housing acquired and coordinated these products and services for the sector when they were not able to access these resources themselves. In 2020/21, we delivered more than 1 million meals to seniors, families and individuals living in social housing and distributed 3.3 million PPE, cleaning and hygiene products that would have not been otherwise readily available to housing and shelter operators.

Staff redeployments

From April to August 2020, ten per cent of BC Housing staff were redeployed to work on pandemic-related initiatives and programs. During this time, BC Housing administered the Province's Temporary Rental Supplement program, which gave tenants and landlords temporary support toward rent payments for low- and moderate-income renters who lost income as a result of COVID-19. Over and above our regular rental assistance programs, over 87,000 applications were approved through this temporary program.

The redeployment of staff and the impact of COVID-19 on partners' operations contributed to BC Housing not meeting our target for number of operational reviews completed. As operations normalize, we expect to achieve future targets.

Increasing homelessness and addictions and overdose crisis

While the need for shelter and housing options with appropriate health and social supports continued to far exceed available supply, BC Housing worked with regional health authorities, municipal partners and non-profit partners to help people who were living outside in city parks to move into indoor accommodations. Essential health interventions and supportive, inclusive, trauma-informed supports were a part of the move process. Together with our partners, we identified locations where marginalized individuals, including those experiencing or at risk of homelessness, were able to recover and self-isolate, and connect to permanent housing opportunities. BC Housing also continued to respond to the opioid and overdose crisis, providing overdose prevention services and connection to culturally safe health services for individuals staying in temporary spaces, training staff to respond to overdose emergencies, and continuing to learn from health authority partners.

The unprecedented use of hotels and community centres were essential to support these moves, to prevent the spread of COVID-19, and to mitigate demand on our healthcare system. These acquisitions and leases across B.C. represented 126 sites (2,806 spaces) in March 2021, in addition to our typical housing portfolio. Due to the condition and operating systems of some of these acquisitions, this additional housing stock negatively impacted our greenhouse gas (GHG) reduction results.

² Community housing is defined as a housing development that government subsidizes and that either government, a non-profit, or co-op housing partner owns and/or operates. Community housing and social housing are used interchangeably.

Engagement and Information Access

Expectations for timely information and for consultation on projects in communities increased, requiring investment of both time and resources, impacting budgets, timelines, and ultimately the success of projects.

This was compounded by the diversification of communications channels, as people accessed and exchanged information across a rapidly growing number of platforms and media. The COVID-19 pandemic required engagement and communications practices to become almost fully digital, which increased accessibility for some populations and created accessibility barriers for others.

Supply and trades shortages and rising construction costs

The pandemic exacerbated existing trades shortages and rising construction costs. These trends continued to place upward pressure on development and capital renewal budgets across the province. BC Housing used a range of strategies to address this trend, including establishing project contingencies based on third-party escalation forecasts, reviewing project costs against construction costs, reviewing details of benchmarking and analysis at critical milestones in the development process, and responding with procurement strategies to changes in project cost variables.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Secure, affordable and sustainable housing for British Columbians

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

Key Highlights

- Continued to deliver *Building BC*³ housing programs through partnerships with non-profit, co-operative, community and Indigenous organizations.
- Continued to respond to homelessness, including relocating people to safe, indoor accommodation from tent encampments.
- Developed and implemented a number of emergency responses to the pandemic, including the creation of the [BC Temporary Rental Supplement](#) program, the purchase of hotels and creation of community spaces for temporary housing, and providing meals to households living in social housing facing food insecurity.
- Provided financial assistance to low-income seniors and working families in the private market through the [Shelter Aid for Elderly Renters](#) program and [Rental Assistance Program](#), as well as to identified priority groups with low incomes through the [Canada-BC Housing Benefit](#).
- Relaunched the [BC Rebate for Accessible Home Adaptations](#) program⁴ with a number of improvements to help seniors and people with permanent disabilities or diminished abilities with the cost of making adaptations to their homes for independent living.

Performance Measures	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1a Number of affordable and supportive housing units completed, including affordable rental and social housing ¹	3,274	3,500	4,222	2,800	2,300
1.1b Number of households receiving rental assistance in the private market ²	33,976	35,632	36,177	36,969	38,306

Data source:

¹BC Housing's Central Property System database. Programs reflected in measure 1.1a include: *Rapid Response to Homelessness*, *Affordable Rental Housing*, *Community Housing Fund*, *Indigenous Housing Fund*, *Supportive Housing Fund*, *Women's Transition Housing Fund*, *Homelessness Action Plan*, *Provincial Investment in Affordable Housing*, *Community Partnership Initiatives*, *Housing Endowment Fund*, *Housing Priority Initiatives*, *Investment in Affordable Housing*, and other provincial programs. This measure and its targets have changed in the 2021/22 – 2023/24 Service Plan.

²BC Housing's Subsidy Management and Assisted Rental Tool (SMART) database. Programs reflected in measure 1.1b include *Shelter Aid for Elderly Renters*, the *Rental Assistance Program*, and *Canada-BC Housing Benefit*. Targets have changed in the 2021/22 – 2023/24 Service Plan.

³ *Building BC* programs include: *Rapid Response to Homelessness*, *Affordable Rental Housing*, *Community Housing Fund*, *Indigenous Housing Fund*, *Supportive Housing Fund*, and *Women's Transition Housing Fund*.

⁴ This program was previously called the *Home Adaptations for Independence* program.

Discussion of Results

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

In 2020/21, BC Housing created 4,222 new units of housing in 46 communities across the province, surpassing the overall combined target of 3,500. Surpassing the target by more than 20 per cent is mainly due to 453 new units that were created to respond to homelessness under the COVID-19 Action Plan. Of the remaining new units, 3,769 were created through BC Housing's development programs including: 116 units under *Rapid Response to Homelessness*, 88 units under the *Indigenous Housing Fund*, 197 units under the *Community Housing Fund*, three units under the *Women's Transition Housing Fund*, 551 units under *Provincial Rental Supply*, 78 units of modular housing from funding approved as part of the *Actions on Homelessness in TogetherBC: British Columbia's Poverty Reduction Strategy*, 425 units under the *Supportive Housing Fund*, and 2,042 units under other programs that were established before the Budget 2017 Update. An additional 269 units were created through units made newly available for vulnerable populations within existing purchased buildings.

The target for number of households receiving rental assistance in the private market (Performance Measure 1.1b) was achieved. This is due to the *Canada – BC Housing Benefit* being launched in August 2020 to benefit targeted priority groups, including women and children experiencing violence or at risk of experiencing violence, Indigenous peoples, youth leaving care, people with disabilities and people experiencing or at risk of homelessness. Through the *Shelter Aid for Elderly Renters* program there were 25,189 households assisted. Through the *Rental Assistance Program* 8,308 households were assisted and 2,680 households through the *Canada – BC Housing Benefit*. This result for 1.1b does not include the more than 87,000 households who received rent assistance from the *BC Temporary Rental Supplement* program in response to the pandemic.

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

Key Highlights

- Facilitated partnerships with all levels of government, non-profit organizations, and the private sector to create new affordable rental housing and homeownership options for middle-income households.
- Worked with local governments to facilitate projects, e.g., by reducing parking requirements, waiving development cost charges, or encouraging community amenity contribution, fees or property taxes, and accelerating permitting and approval processes.

- Provided low-cost financing to pass cost-savings onto tenants and homeowners in the form of more affordable rents and homeownership opportunities.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.2 Number of new affordable housing projects partnerships to facilitate new units initiated by the HousingHub ¹	n/a	14 projects	10 projects	14 projects	14 projects

Data source:

¹BC Housing Central Property System database. This measure was removed in the 2021/22 – 2023/24 Service Plan as HousingHub projects will be included in the measure for new units completed.

Discussion of Results

The HousingHub was established in *Homes for B.C.: A 30 Point Plan for Housing Affordability in British Columbia*. Through the HousingHub, BC Housing identifies and advances innovative approaches to create market-based and affordable housing both for rent and for purchase.

In 2020/21 there were 10 projects, totalling 532 units of affordable housing that were initiated. The target for the HousingHub was not achieved in 2020/21 due to the HousingHub’s financing limits this fiscal year. In Budget 2021, the borrowing limit was increased to \$2 billion and as a result there will be a ramp up of future HousingHub projects.

Goal 2: A strong non-profit and co-op housing sector

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

Key Highlights

- Collaborated with sector organizations, including the BC Non-Profit Housing Association, Co-op Housing Federation of BC, and Aboriginal Housing Management Association, to support sector capacity during the pandemic.
- Identified enhancements to BC Housing’s operational review process in consultation with the sector including such areas as governance.
- Provided support to the sector with respect to cyber security and IT management.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.1 Percentage of non-profit housing provider financial reviews carried out by BC Housing within five months from date of BC Housing receiving the financial review results from the non-profit housing provider ¹	72%	70%	65%	70%	70%

Data source:

¹This measure is gathered by BC Housing as part of the financial review process with housing providers. This measure was removed in the 2021/22 – 2023/24 Service Plan.

Discussion of Results

A timely financial review process enables housing providers to know with accuracy what their budget will be for the year ahead and helps to avoid situations of subsidy overpayments or underpayments that must be later addressed. It also relies on establishing good relations and communications with non-profit housing partners. In 2020/21, the target of 70 per cent of the financial reviews completed within the five-month timeframe was not achieved. The result of 65 per cent of financial reviews being completed can be attributed to the impacts of COVID-19. The requirements of addressing COVID-19 put added pressure, limiting the capacity of both internal and external staffing resources, which affected the completion time for financial reviews. BC Housing staff shifted focus to COVID-19 projects and processes, which caused difficulty for non-profits in having audits completed and delaying the submission of their audited statements. This created added pressure for BC Housing staff during the budget development timeframe.

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

Key Highlights

- Allocated and spent provincial funding for capital renewal of the existing social housing stock.
- Continued supporting the preservation of existing affordable housing stock, including subsidized and private rental units:
 - Prevented the condition of social housing buildings from deteriorating; and
 - Carried out needed seismic, life and safety and energy performance improvements.
- Conducted building condition assessments on newly purchased additions to the affordable housing portfolio to ensure appropriate investments are made enabling sustained service-life.
- Conducted building condition assessments on the current stock to ensure investments are appropriately prioritized.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.2 Facility condition index ¹	17%	16% to 21%	17%	16% to 21%	16% to 21%

Data source:

¹Physical building condition assessments of building systems, sub-systems and components are tracked by BC Housing and used to calculate the Facility Condition Index (FCI). This index quantifies the physical condition of the social housing stock.

Discussion of Results

The Facility Condition Index (FCI) is an indication of the average condition of buildings – a lower percentage corresponds to a building in better condition. The FCI is calculated as the cost of a building’s renewal and replacement needs divided by its replacement cost, expressed as a percentage. The FCI is used to assist with investment decisions and strategic directions regarding

capital planning and rehabilitation budgets for social housing. Without adequate continued investment in the existing social housing stock, the FCI rises over time.

Targets are set to reflect an acceptable service level for buildings and building conditions for tenants. As of March 31, 2021, results indicated a portfolio FCI rating of 17 per cent, which is within the targeted range of 16 to 21 per cent. The result of 17 per cent for the social housing stock consists of:

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

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

Key factors that contributed to achieving our target include:

- Improvements in the quality of life and safety of the homes for tenants in more than 259 sites across the province;
- \$140.2 million of capital spending for maintenance and rehabilitation of buildings, which has increased substantially over the last six years from \$26.5 million in 2015/16;
- Significant efforts by BC Housing and BCNPHA to increase capacity for asset management and facility maintenance, including capital planning courses and resources for housing providers; and

Improved accuracy of calculations made possible by updates to BC Housing's data and systems and collaboration with housing providers.

Goal 3: Strong Indigenous partnerships and relationships based on principles of reconciliation

Objective 3.1: Partnerships at all levels that increase a self-reliant Indigenous housing sector

Key Highlights

- Initiated a process for developing a Reconciliation strategy to create a broader and more meaningful framework for how we do business and strengthen the level of commitment related to our implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), Truth and Reconciliation Commission (TRC) Calls to Action, and B.C.'s *Declaration on the Rights of Indigenous Peoples Act* (DRIPA).
- Collaborated with First Nations partners to create new housing through *Building BC* programs.
- Helped improve housing conditions on First Nation reserves through partnerships in asset management, capital planning and homeowner education.
- Developed and delivered education and training sessions to BC Housing staff and partners on implementing UNDRIP, the TRC Calls to Action, and DRIPA specifically as these apply to BC Housing's mandate.

- Leveraged opportunities to promote employment, skills training and business development for Indigenous peoples through the delivery of our program and business activities, including increasing the number of Indigenous employees at BC Housing.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.1 Progressive Aboriginal Relations (PAR) certification ¹	Gold	Gold	Gold	Gold (Recertification year)	Gold

Data source:

¹The Canadian Council for Aboriginal Business.

Discussion of Results

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

Although the certification process occurs every three years, our work to promote stronger Indigenous partnerships is ongoing in all business areas. BC Housing’s current plans, initiatives and collaboration efforts support the goal of continual improvement each year. BC Housing’s Gold certification result demonstrates an active and ongoing commitment to supporting the Indigenous housing sector and our Indigenous housing partners. The next certification process will occur again in 2021/22. Benchmarking is conducted on a national level against other Canadian companies participating in the PAR Certification program.

Goal 4: Sustainability leadership in residential construction

Objective 4.1: Promote consumer protections and compliance with the *Homeowner Protection Act* to ensure buyers of new homes are protected

Key Highlights

- Continued to implement, refine and streamline the builder qualification system and owner builder exemption.
- Improved warranty provisions of the *Homeowner Protection Act* regulation to strengthen consumer protections.
- Introduced mandatory Step Code training for general contractors as part of continuing professional development program.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.1 Builders’ rating of the effectiveness of compliance efforts to monitor and enforce licensing and home warranty insurance requirements, and the owner-builder exemption regarding home warranty insurance ¹	86%	80% or higher	86%	80% or higher	80% or higher

Data source:

¹Annual Licensed Residential Builder Survey.

Discussion of Results

This is a measure of the overall health of the builder licensing, home warranty insurance and owner-builder authorization system, whereby compliance issues are dealt with quickly and effectively by the Licensing and Consumer Services branch. Assessment of performance is best done by industry participants (licensed residential builders) that operate their businesses within the regulatory framework.

Targets are based on past trends, recognition that reducing instances of non-compliance continues to be an area for business improvement, and strategic initiatives underway to enhance compliance efforts each year over the three-year service planning period.

The 2020/21 survey results remain the same as 2019/20 with 86 per cent of builders who responded to the survey felt that the effectiveness of the compliance efforts was “very effective” or “effective”. This result exceeds the target of 80 per cent.

Objective 4.2: Support the provincial CleanBC sustainability plan by lowering greenhouse gas emissions from BC Housing buildings and business operations

Key Highlights

- Promoted energy efficient, low carbon and resiliency-oriented approaches and sustainability in our affordable housing programs, including adoption of the higher steps of the BC Energy Step Code.
- Supported the improvement and preservation of existing social housing stock through energy retrofits and building envelope upgrades.
- Built capacity within the construction industry and social housing sectors through research and education to integrate adaptive and resilient solutions into building design and renovation.
- Initiated technical projects in partnership with industry and government related to the quality and sustainability of residential construction.
- Developed a strategic sustainability framework that will be used to create a new sustainability and resiliency framework.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.2 Per cent reduction in greenhouse gas emissions from 2010 levels ¹	29%	Reduction of 25% to 30%	Reduction of 15%	Reduction of 25% to 30%	Reduction of 30% to 35%

Data source:

¹ 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 2019 are reported in the 2019/20 Actuals column.

Discussion of Results

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

Targets are set to achieve a 25 per cent or more reduction in GHG emissions from the 2010 level. The baseline, which was calculated across the housing portfolio in 2010, has been maintained to compare our reductions. Targets consider anticipated changes to the housing portfolio. Annual targets are comparisons to GHG emission levels from 2010 level (they are not cumulative) and take into account anticipated changes to the housing portfolio over the three-year Service Plan period.

In 2020, our greenhouse gas emissions related to energy use to provide heat, water and electricity for our buildings totaled 27,973 tonnes of CO2 equivalent. Since 2010, we have seen a 15 per cent decrease in emissions from our buildings, and a seven per cent increase in emissions from 2019.

Greenhouse gas emission reductions compared with our baseline are mainly a result of our energy conservation efforts since 2010, such as multi-year building upgrades, fuel switching, and energy programs, increasing energy efficiency standards for new construction, and ongoing improvements in energy management in our portfolio.

Although our emissions have decreased compared to our baseline year, 2020 saw less of a decrease than previous years. We also saw an increase in emissions compared to 2019. Factors related to the COVID-19 pandemic, such as tenants staying home, have increased our emissions compared to previous years. Cooler weather in 2020 also had a slight impact, as buildings required more fuel and electricity for heating compared to our baseline year. However, other factors that had an impact on the result included the purchase of existing properties as a response to COVID-19 that were not as energy efficient, as well as new construction and renovations that were not as energy efficient as concessions had to be made to ensure budget and number of tenants that the building could serve were not compromised.

Financial Report

For the auditor's report and audited financial statements, [see Appendix B](#).

Discussion of Results

In 2020/21, BC Housing's revenues and expenditures totaled \$1.90 billion, an increase of \$607.7 million over 2019/20. Programs and services to improve housing options for British Columbians included housing supports for the most vulnerable, affordable rental housing options for low income families and seniors, as well as consumer protection and improved quality of residential construction in the private market. In total, 117,790 households were assisted in 2020/21, an increase of more than 4,607 from the previous year.

Highlights

On March 11, 2020 the World Health Organization declared the coronavirus disease that started in 2019 a pandemic. On March 17, 2020, the Province of British Columbia declared a public health emergency due to the global COVID-19 virus outbreak. In 2020/21, BC Housing provided \$424.3 million to support non-profit housing providers, low-income households and vulnerable individuals during the pandemic. This includes the launch of the *BC Temporary Rental Supplement* program that provided renters with temporary support towards rent payments, relocating people from tented parks into safe accommodation, making new shelter and self-isolation spaces available for vulnerable populations, and providing additional supports to the non-profit housing sector to safely maintain services.

BC Housing continued to implement the *Building BC* programs: *Rapid Response to Homelessness*, *Affordable Rental Housing*, *Community Housing Fund*, *Supportive Housing Fund*, *Women's Transition Housing Fund*, and *Indigenous Housing Fund*. In 2020/21, BC Housing provided \$400.9 million in capital funding to develop affordable rental housing units for independent families and seniors, Indigenous people, vulnerable populations and women and children fleeing violence. In addition, \$59.8 million in operating funding was provided to non-profit housing societies to support their day-to-day operations, and provide support services for projects under *Building BC* programs that became operational.

Financial Summary¹

(\$000)	2019/20 Actual	2020/21 Budget	2020/21 Actual	2020/21 Variance
Revenue				
Provincial Contributions ²	1,117,896	1,370,368	1,689,514	319,146
Federal Contributions	114,908	168,464	164,881	(3,583)
Other ³	63,305	57,168	49,423	(7,745)
Total Revenue	1,296,109	1,596,000	1,903,818	307,818
Expenses				
Grants	502,378	743,310	772,674	29,364
Housing Subsidies	507,195	548,011	638,495	90,484
Rental Assistance	131,272	141,356	265,218	123,862
Salaries and Labour	71,045	80,042	80,639	597
Operating Expenses	26,806	27,633	88,748	61,115
Building Maintenance	24,378	17,664	22,247	4,583
Office and Overhead	14,198	14,211	13,768	(443)
Utilities	8,488	9,717	9,654	(63)
Grants in lieu of Property Taxes	7,718	8,839	9,650	811
Research and Education	2,204	1,467	2,509	1,042
Interest Expense	404	3,750	185	(3,565)
Total Expenses	1,296,086	1,596,000	1,903,787	307,787
Net Income	23	-	31	31
Total Liabilities	634,597	1,558,467	1,373,652	(184,815)
Capital Expenditures	5,885	5,000	3,433	(1,567)
Accumulated Surplus	186,298	195,435	203,910	8,475

¹The financial information was prepared based on current Generally Accepted Accounting Principles.

²In 2020/21 this includes funding of \$1.06 billion provided directly by the provincial government to BC Housing, \$589.8 million from the Housing Priority Initiatives Special Account, \$12.9 million from the Housing Endowment Fund, \$27.8 million from other partnering ministries/agencies.

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

Variance and Trend Analysis

Revenues

The Financial Summary table shows BC Housing's actual revenues totalled \$1.90 billion in 2020/21, which is \$307.8 million more than the 2020/21 budget, and \$607.7 million more than the previous year. These variances reflect changes in provincial revenue, federal revenue, and other revenue.

Provincial Revenue

Provincial revenue increased by \$319.1 million compared to the 2020/21 budget and by \$571.6 million compared to the previous year. The budget variance is primarily due to the increased contributions from the Province to BC Housing to support the government's response to the COVID-19 pandemic. This was partially offset by the re-allocation of construction grants to future years to align with updates to project construction schedules. The year-over-year variance in provincial revenues is primarily attributable to the funding provided to support the pandemic response, as well as increased capital grants under the *Building BC* programs based on project construction schedules. Other increases related to subsidies provided to newly completed projects under the *Building BC* programs and increased costs to operate the existing housing portfolio. These increases were partially offset by the reduction of construction grants under the *Rapid Response to Homelessness* program as the majority of projects under the program are complete or near completion.

Federal Revenue

Federal revenue decreased by \$3.6 million compared to the 2020/21 budget and increased by \$50.0 million compared to the previous year. Lower than budgeted contributions under the *Social Housing Agreement* (SHA) accounts for the 2020/21 budget variance. This variance will be reallocated over the remaining term of the agreement. The year-over-year variance is primarily due to the newly announced *Rapid Housing Initiative* where, through Canada Mortgage and Housing Corporation, the federal government provided capital funding to support the construction of modular housing and the conversion of non-residential buildings into affordable multi-unit housing.

Other Revenue

Other revenue decreased by \$7.7 million compared to the 2020/21 budget and by \$13.9 million compared to the previous year. The majority of the budget and year-over-year variance was due to decreased interest revenue and investment income, while other small increases including tenant rent and license fees.

Expenditures

The Financial Summary table shows BC Housing's actual expenditures totalled \$1.90 billion in 2020/21, which is an increase of \$307.8 million compared to the 2020/21 budget, and an increase of \$607.7 million compared to the previous year. Major variances include:

Grants

Grants increased by \$29.4 million compared to the 2020/21 budget and by \$270.3 million compared to the previous year.

Grants were higher than budget primarily due to the property acquisitions in Vancouver and Victoria to facilitate the relocation of campers from tent encampments to safe and stable accommodation, as well as projects offset by federal funding through the *Rapid Housing Initiative*. These higher than budgeted grants were partially offset by the reduction of grant funding for provincially owned capital projects due to changes in their construction schedules.

The year-over-year variance is related to increased construction grants provided to house vulnerable populations under *Building BC* programs such as the *Supportive Housing Fund*, pandemic response initiatives funded through the provincial *Housing Priority Initiatives Special Account*, and projects funded through the federal *Rapid Housing Initiative*. These increases were partially offset by the reduction of construction grants under the *Rapid Response to Homelessness* program, as the majority of projects under the program are complete or near completion.

Housing Subsidies

Housing Subsidies increased by \$90.5 million compared to the 2020/21 budget and by \$131.3 million compared to the previous year. The budget variance primarily resulted from the additional financial support provided to non-profit sector, to make new shelter and self-isolation spaces available for people experiencing homelessness during the pandemic. These increases were partially offset by lower subsidies paid under *Building BC* programs due to delayed operating start dates as a result of project construction completing later than anticipated. The increase from the previous year was mostly driven by additional pandemic support for the non-profit housing sector, new projects in *Building BC* programs that became operational in 2020/21, and increased operating costs across the existing housing portfolio.

Rental Assistance

Rental Assistance increased by \$123.9 million compared to the 2020/21 budget and by \$133.9 million compared to the previous year. The variances are due to the implementation of the *BC Temporary Rental Supplement* program to assist renters who were impacted by COVID-19 from April 2020 to August 2020. This increased cost was partially offset by the fewer clients than anticipated receiving rental assistance under the *Shelter Aid for Elderly Renters (SAFER)* program and the *Rental Assistance Program (RAP)*. During the year, the number of clients receiving SAFER assistance increased at a lower rate than budgeted while the number of clients receiving RAP assistance decreased.

Salaries and Labour

Salaries and Labour increased by \$0.597 million compared to 2020/21 budget and \$9.6 million compared to the previous year. The increased staffing costs year-over-year are a result of the rollout of *Building BC* programs, which required expanding the workforce to ensure successful implementation.

Operating Expenses

Operating Expenses increased by \$61.1 million compared to the 2020/21 budget and \$61.9 million compared to the previous year. The increase is due to lease costs incurred to make hotel rooms and shelter spaces available for the purpose of self-isolation and shelter overflow during the pandemic. Centrally procured personal protection equipment, cleaning services and supplies, and security services to support non-profit housing providers also contribute to the increase. This increased cost was partially offset by decreased travel and meeting costs during the pandemic.

Building Maintenance

Building Maintenance increased by \$4.6 million compared to the 2020/21 budget and decreased by \$2.1 million compared to the previous year. Actual costs to maintain BC Housing's housing stock remained steady year over year, while the budgeted amount for maintenance in the Province's group home portfolio contributed to the budget variances.

Interest Expenses

Interest expenses decreased by \$3.6 million compared to the 2020/21 budget and \$0.2 million compared to the previous year. Factors such as lower interest rates and reduced demand in borrowing resulted in lower than budgeted interest expenses incurred.

Risks and Uncertainties

The COVID-19 virus outbreak continues into the new fiscal year, which may further impact BC Housing in terms of both reduced rent revenues and increased expenditures. While health and safety measures such as maintaining social distancing, self-isolation, and better hygiene will continue into the near future, expenditures to support these measures are expected to increase, especially in supportive housing projects.

While BC Housing works to maintain accommodations for vulnerable populations after the pandemic, financial pressures will continue to grow along with the increasing demand for more supportive housing options. Day-to-day operating costs for housing started rising prior to the onset of the pandemic, and that trend is expected to continue into the future. This includes increasing insurance premiums for non-profit housing providers, staffing and labour costs, and risk related to loss of rent revenue.

Other risks and uncertainties to operating costs include rate increases in electricity, natural gas, water and sewer, and property taxes. Various measures, such as building energy retrofits and the bulk purchase of natural gas have been implemented to offset this impact. Mortgage renewals with longer terms are in place to offset the risk of raising interest rates. Growing trade shortages and rising constructions costs remain as risks to new project development.

Appendix A: Additional Information

Organizational Overview

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

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

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

Corporate Governance

BC Housing is accountable to the Minister Responsible for Housing through a Board of Commissioners appointed by the Lieutenant Governor in Council.

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

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

Contact Information

Please refer to page 2 for BC Housing’s contact information.

Appendix B: Auditor's Report and Audited Financial Statements

British Columbia 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 21, 2021. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

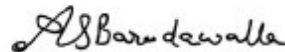
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel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

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

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



Shayne Ramsay
Chief Executive Officer



Abbas Barodawalla
Vice President of Corporate Services
and Chief Financial Officer

May 21, 2021



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of British Columbia Housing Management Commission (the Commission) as at March 31, 2021 and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Commission's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement gains (losses) for the year then ended;
- the statement of changes in net financial assets for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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



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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 21, 2021

British Columbia Housing Management Commission

Statement of Financial Position

	March 31 2021 (\$000's)	March 31 2020 (\$000's)
Financial Assets		
Cash	\$ 34,671	\$ 11,504
Portfolio investments (Note 3)	103,346	89,332
Receivables (Note 4)	21,722	18,393
Due from Province of British Columbia (Note 16)	289,739	5,995
Due from Canada Mortgage and Housing Corporation	41,678	12,852
Due from (to) Provincial Rental Housing Corporation (Note 16)	47,118	(11,941)
Construction loans to housing projects (Note 4)	939,168	595,166
Mortgages and loans receivable (Note 5)	34,263	42,244
	<u>1,511,705</u>	<u>763,545</u>
Liabilities		
Accounts payable and accrued liabilities	119,667	82,706
Deferred revenue (Note 6)	258,521	177,579
Tenants' prepaid rent	1,571	1,425
Due to Provincial Treasury (Note 7)	548,953	4,993
Society funds held on deposit (Note 8)	22,910	19,889
Construction grants payable (Note 9)	417,969	344,497
Social Housing Agreement Reserves (Note 10)	4,061	3,508
	<u>1,373,652</u>	<u>634,597</u>
Net financial assets	<u>138,053</u>	<u>128,948</u>
Non-financial assets		
Prepaid expenses and housing subsidies	54,001	42,875
Tangible capital assets (Note 11)	11,856	14,475
	<u>65,857</u>	<u>57,350</u>
Accumulated surplus	<u>203,910</u>	<u>186,298</u>
Accumulated surplus comprises:		
Accumulated surplus from operations	201,317	201,286
Accumulated rereasurement gain (loss)	2,593	(14,988)
	<u>\$ 203,910</u>	<u>\$ 186,298</u>

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

On behalf of the Board of Commissioners:



Cassie Doyle, Chair

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Operations

Year Ended March 31	2021 Budget (\$000's)	2021 Actuals (\$000's)	2020 Actuals (\$000's)
	(Note 12)		
Revenue			
Provincial contributions	\$ 1,370,368	\$ 1,689,514	\$ 1,117,896
Federal contributions	168,484	164,881	114,908
Tenant rent	32,003	34,328	32,829
Other	21,185	18,866	25,911
Portfolio investment income (loss)	4,000	(3,771)	4,565
	<u>1,596,000</u>	<u>1,903,818</u>	<u>1,296,109</u>
Expenses			
Grants	743,310	772,674	502,378
Housing subsidies	548,011	638,495	507,195
Rental assistance	141,356	265,218	131,272
Salaries and labour	80,042	80,639	71,045
Operating expenses	27,633	88,748	26,806
Building maintenance	17,664	22,247	24,378
Office and overhead	14,211	13,768	14,198
Utilities	9,717	9,654	8,488
Grants in lieu of property taxes (Note 13)	8,839	9,650	7,718
Research and education	1,467	2,509	2,204
Interest expense	3,750	185	404
	<u>1,596,000</u>	<u>1,903,787</u>	<u>1,296,086</u>
Annual surplus from operations		<u>31</u>	<u>23</u>
Accumulated surplus from operations at beginning of year		<u>201,286</u>	<u>201,263</u>
Accumulated surplus from operations at end of period		<u>\$ 201,317</u>	<u>\$ 201,286</u>

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Cash Flows

Year Ended March 31	2021 (\$000's)	2020 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 31	\$ 23
Adjustments to determine cash flows:		
Changes in non-cash working capital (Note 14)	(268,035)	(94,139)
Portfolio Investment loss (income)	3,771	(4,565)
Discount on loans receivable	(1,375)	(109)
Depreciation of tangible capital assets	6,011	5,919
	<u>(259,597)</u>	<u>(92,871)</u>
Capital transactions		
Tangible capital asset additions net of disposal	<u>(3,392)</u>	<u>(5,885)</u>
Investing transactions		
Construction loans provided to housing projects	(344,002)	(275,479)
Cash redemption from short-term investments	38,753	543
Cash used for short-term investments	(38,392)	(31)
New mortgages provided	(1,753)	(11,515)
Mortgages payment received	11,109	8,442
	<u>(334,285)</u>	<u>(278,040)</u>
Financing transactions		
Grants Received for construction	763,550	484,903
Grants used for construction	(690,078)	(477,199)
Loans provided from Provincial Treasury	1,184,389	274,904
Repayment to Provincial Treasury	(640,429)	(274,911)
Social Housing Agreement Reserves	(12)	(13)
Additions to society funds	7,154	3,426
Society funds used for project	(4,133)	(1,622)
	<u>620,441</u>	<u>9,488</u>
Increase (Decrease) in cash	23,167	(367,308)
Cash, beginning of year	<u>11,504</u>	<u>378,812</u>
Cash, end of year	<u>\$ 34,671</u>	<u>\$ 11,504</u>

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Remeasurement Losses

Year Ended March 31	2021 (\$000's)	2020 (\$000's)
Accumulated remeasurement loss, beginning of year	\$ (14,988)	\$ (5,828)
Amount released to statement of operations	13,573	-
Unrealized gain (loss) attributable to portfolio investments	4,008	(9,180)
Net remeasurement changes for the year	17,581	(9,180)
Accumulated remeasurement gain (loss), end of year	\$ 2,593	\$ (14,988)

Statement of Changes in Net Financial Assets

Year Ended March 31	Budget (\$000's) (Note 12)	2021 (\$000's)	2020 (\$000's)
Annual surplus from operations		\$ 31	\$ 23
Net remeasurement changes for the year		17,581	(9,160)
		17,612	(9,137)
Depreciation of tangible capital assets		6,011	5,919
Disposal of tangible capital assets		41	-
Acquisition of tangible capital assets	(5,000)	(3,433)	(5,885)
		2,619	34
Acquisition of prepaid expenses		(28,558)	(10,948)
Use of prepaid expenses		25,928	10,897
Net Changes on prepaid Subsidies		(8,496)	(4,292)
		(11,126)	(4,341)
Changes in net financial assets for the year		9,105	(13,444)
Net financial assets, beginning of year		128,948	142,392
Net financial assets, end of year		\$ 138,053	\$ 128,948

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

1. General

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

The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements have been prepared in accordance with the Province of British Columbia, Ministry of Finance regulation 888-2010 that requires taxpayer-supported organizations to adopt Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

b) Use of Estimates

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

c) Revenue Recognition

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

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

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

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

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

d) Tenant Rent Revenue

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

e) Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated over their estimated useful life (see Note 11). Computer software includes desktop applications, server applications and enterprise applications which is depreciated over a three-year, five-year and 10-year amortization period respectively. Computer hardware includes photocopier hardware, server hardware, datacentre and communication hardware and are depreciated on a three-year amortization period. All other capital assets are depreciated over a five-year amortization period.

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

f) Employee Benefit Plans

The employees and employers of the public service contribute to the Public Service Pension Plan (the Plan), a jointly trustee pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory defined benefits pension plan and pension benefits are expensed as incurred. The Plan has approximately 64,000 active plan members and approximately 50,000 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, 2020, indicated an actuarial surplus of \$2.7 billion for basic pension benefits. The next valuation will be as at March 31, 2023 with results available in early 2024. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid \$6,073,378 for employer contributions to the Plan in fiscal 2020/2021 (2019/2020: \$5,606,063).

g) Financial Instruments

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

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

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

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

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

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

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

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

3. Portfolio Investments

The Commission invests funds held on behalf of non-profit housing providers, funds for specific reserves and funds provided by ministries for specific housing projects. These investments are held in pooled investments and managed by five investment management firms. Income derived under the investments is reinvested into the portfolio. An investment committee meets periodically to review the performance of the fund managers and ensure compliance with the BC Housing investment policy. Quarterly reports are provided to the BC Housing Board of Commissioners. The investment policy has the following asset target components: 30% Fixed Income, 15% Canadian Equity, 20% Canadian Real Estate and 35% Global Equity.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

4. Receivables and Construction Loans to Housing Projects

a) Receivables

Receivables are recorded at cost less an amount for allowance of doubtful accounts. The allowance is determined on the basis of past collection experience. As at March 31, 2021, the allowance totalled \$4,397,000 (2020: \$4,381,000). Changes in the valuation allowance are recognized in the statement of operations.

b) Construction Loans to Housing Projects

In its capacity as a *National Housing Act* approved lender, the Commission advances approved interim construction loan draws to both non-profit housing providers and developers under the social housing and market rental housing programs. The loan advances are repaid upon project construction completion and arrangement of long-term takeout mortgages with CMHC and/or NHA approved lenders. The average period of construction financing ranges from eighteen to thirty-six months depending on the magnitude of the project. Borrowers are charged interim interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The average yield for the year 2020/2021 is 0.78% (2019/2020: 2.11%). The allowance for construction loans to housing projects for the year 2020/2021 totalled \$8,856,000 (2019/2020: \$9,300,000).

5. Mortgages and loans receivable

a) Non-profit Housing Provider Mortgages Receivable

The Commission periodically continues to hold construction financing mortgages receivable after construction completes. In all but rare situations, these mortgages are tendered for take-out financing provided by private sector financial institutions within twelve months of the construction completion date. As of March 31, 2021, the total value of construction financing mortgages receivable was \$10,110,000 (2020: \$14,019,000). These receivables are secured by mortgages and/or promissory note

b) BC HOME Partnership Loans Receivable

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

As the first five years of the loans are concessionary, the loans have been recorded at the present value, discounted at prime plus 0.5%. The loan discount will be amortized into revenue and the loan receivable using the effective interest rate approach over the five-year concessionary term. The related concessionary loan expense is recorded at the time of issue and is included in housing subsidies expense. The program stopped accepting new applications on March 31, 2018. As at March 31, 2021, the total value of the loans receivable was \$24,077,000 (2020: \$28,150,000).

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

6. Deferred Revenue

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

	2020	Contributions	Revenue	2021
	(\$000's)	Received	Recognized	(\$000's)
		(\$000's)	(\$000's)	
Provincial Contributions	\$ 66,948	\$ 934,307	\$ (880,212)	\$ 121,043
Canada Mortgage and Housing Corporation	110,287	190,840	(164,244)	136,883
Other Agencies	344	1,239	(988)	595
	\$ 177,579	\$ 1,126,386	\$ (1,045,444)	\$ 258,521

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

7. Due to Provincial Treasury

Amounts represent short-term funds borrowed from the Province for the purpose of facilitating the construction or renovation of affordable housing. The maximum amount is not to exceed \$800 million (2019/2020: \$165 million) bearing interest at a rate charged by the provincial Ministry of Finance. Budget 2021 also approved an additional maximum borrowing limit of \$2 billion for HousingHub thus enhancing the maximum amount to \$2.8 billion.

8. Society Funds Held on Deposit

These funds represent the balance of mortgage advances held to cover various non-profit society construction and soft costs required to complete their projects. Interest accrues on the society funds at the prime rate minus 1.8%.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

9. Construction Grants Payable

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

	2020	Construction grants recognized	Construction grants applied	2021
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Building BC:				
Rapid Response to Homelessness	\$ -	\$ 8,137	\$ (8,137)	\$ -
Affordable Rental Housing	-	19,781	(19,781)	-
Deepening Affordability	36,379	(850)	(15,581)	19,948
Community Housing Fund	115,455	107,886	(68,027)	155,114
Indigenous Housing Fund	47,730	61,314	(43,850)	65,194
Supportive Housing Fund	-	165,092	(165,092)	-
Women's Transition Housing Fund	-	14,519	(14,519)	-
Homeless Action Plan	-	24,347	(24,347)	-
Capital Renewal Funding (Non-profit & PRHC)	55,345	140,233	(110,714)	84,864
Investment in Housing Innovation	68,850	11,767	(19,829)	60,788
Pandemic Recovery Grant	-	122,443	(122,443)	-
Investment in Affordable Housing Agreement	1,127	-	(5)	1,122
BC PHI Provincial Matching	-	2,500	(4)	2,496
Mental Health Housing Initiative	3,499	-	(2,216)	1,283
Other Project Grants	7,471	2,189	(2,394)	7,266
Social Housing Agreement	27	-	-	27
Federal Bilateral Agreement	6,479	31,262	(17,892)	19,849
Federal Rapid Housing Initiative (RHI)	-	53,128	(53,128)	-
Social Infrastructure Fund	2,135	2	(2,119)	18
	\$ 344,497	\$ 763,550	\$ (890,078)	\$ 417,969

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.

	2021	2020
	(\$000's)	(\$000's)
Balance, beginning of year	\$ 3,508	\$ 3,709
Funds applied	(12)	(13)
Investment income	565	(188)
Balance, end of year	\$ 4,061	\$ 3,508

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

11. Tangible Capital Assets

	2020 (\$000's)			2021 (\$000's)		
	Cost	Additions	Disposals	Cost		
Computer software	\$ 50,567	\$ 2,162	\$ 1,381	\$ 51,348		
Computer hardware	2,746	-	792	1,954		
Tenant improvements	14,752	28	138	14,588		
Office furniture	4,777	3	858	3,916		
Office equipment	194	-	103	91		
Vehicles	1,645	-	-	1,645		
Grounds equipment	537	1,300	43	1,794		
	\$ 75,218	\$ 3,433	\$ 3,315	\$ 75,336		
	Accumulated Depreciation	Depreciation	Disposals	Accumulated Depreciation		
Computer software	\$ 40,842	\$ 4,266	\$ 1,340	\$ 43,768		
Computer hardware	2,746	-	792	1,954		
Tenant improvements	11,571	963	138	12,396		
Office furniture	3,454	441	858	3,037		
Office equipment	169	8	103	74		
Vehicles	1,438	101	-	1,539		
Grounds equipment	523	232	43	712		
	\$ 60,743	\$ 6,011	\$ 3,274	\$ 63,480		
Net Book Value	\$ 14,475			\$ 11,856		

12. Budget Figures

Budgeted figures are provided for comparative purposes and are consistent with the budget presented in the 2020/2021 – 2023/2024 Service Plan that was released in February 2020.

13. Grants in Lieu of Property Taxes

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

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

14. Changes in Non-cash Working Capital

	2021	2020
	(\$000's)	(\$000's)
Accounts payable and accrued liabilities	\$ 36,961	\$ (2,247)
Deferred revenue	80,942	18,000
Due from Canada Mortgage and Housing Corporation	(28,826)	(6,471)
Due from Province of British Columbia	(283,744)	5,047
Due from (to) Provincial Rental Housing Corporation	(59,059)	(101,914)
Prepaid expenses and housing subsidies	(11,126)	(4,341)
Receivables	(3,329)	(2,534)
Tenants' prepaid rent	146	321
	\$ (268,035)	\$ (94,139)

15. Commitments

a) Rental Obligations

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

	(\$000's)
2022	\$ 5,439
2023	5,481
2024	1,260
2025	628
2026	566
Beyond	2,285
Total	\$ 15,657

b) Contractual Obligations- Housing Subsidies

The Commission has significant contractual obligations with non-profit housing societies for the provision of annual subsidies. These contracts are reviewed annually to evaluate the level of commitment. The current annual subsidy is \$461,459,000 with a forecasted amount over the next five years and beyond as follows:

	(\$000's)
2022	\$ 454,519
2023	355,673
2024	255,952
2025	184,565
2026	168,321
Beyond	4,275,549
Total	\$ 5,694,579

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

c) Contractual Obligations- Construction

The Commission entered construction contracts to build or renovate 201 projects that are owned by the Corporation. Total contracts value as at March 31, 2021 was \$158,000,000. All construction contracts are expected to be completed within two years. As construction progresses, the asset values are recorded as work in progress (WIP) in the Corporation. Upon construction completion, WIP will be transferred to capital assets and start depreciation.

d) Public-Private Partnership Commitments

The Commission has entered into a public-private partnership project (P3) with Habitat Housing Initiative (HHI) to renovate 13 Single Room Occupancy Hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions provided during construction, for future obligations under the contract with HHI for the capital cost and financing, the facility maintenance and lifecycle costs as defined in the Project Agreement. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progresses, the asset values are recorded as capital assets and the obligation is recorded as a liability and included in long-term debt in the Corporation (see Note 16). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is provided by the Commission. The capital portion of the payments due to HHI are recorded under Housing subsidies and are expensed to the Corporation.

		Facility Maintenance and Lifecycle		
	Capital			Total Payments
	(\$000's)		(\$000's)	(\$000's)
2022	\$ 9,461	\$	2,228	\$ 11,689
2023	9,461		2,165	11,626
2024	9,461		3,292	12,753
2025	9,461		2,031	11,492
2026	9,461		2,040	11,501
Thereafter	45,725		9,711	55,436
Total	\$ 93,030	\$	21,467	\$ 114,497

e) Loan Insurance Agreement

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

The maximum value of mortgages that can be insured under this agreement is \$3.5 billion. As of March 31, 2021, the total value of outstanding CMHC insured mortgages was \$2,652,223,574

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

(2020: \$2,577,924,820). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

16. Related Party Transactions

a) BC Government Reporting Entities

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

b) Provincial Rental Housing Corporation (the Corporation)

The Corporation was created in 1981 as a landholding corporation for social and other low-cost housing for the Province. The Corporation is a separate legal entity that was incorporated under the *Company Act* of the Province and has a separate governance structure. The rental housing units of the Corporation are managed and operated by the Commission. The assets and liabilities, including the capital cost of projects owned by the Corporation, and results from operations of the Corporation are not included in the statements of the Commission. Separate financial statements are prepared for the Corporation.

During the year, the Commission provided \$500,297,000 (2019/2020: \$239,496,000) to the Corporation for capital grants, self-insurance, mortgage subsidies, etc. As at March 31, 2021, amounts due from the Corporation totalled \$47,118,000 (2020: -\$11,941,000) and represent funds provided by the Commission to the Corporation for the acquisition and development of properties under social housing programs. The balances are non-interest bearing with no set terms of repayment.

17. Contractual Rights

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

Contractual right with:	Description	2022 (\$000's)	2023 (\$000's)	2024 (\$000's)	2025 (\$000's)	2026 (\$000's)	Thereafter (\$000's)
CMHC	Annual funding under the Social Housing Agreement (SHA)	\$ 85,710	\$ 80,179	\$ 71,978	\$ 63,711	\$ 51,422	\$ 87,665
CMHC	Annual funding under Bilateral Agreement	51,256	-	-	-	-	-
Non-profit housing providers	Land/and or building lease payments on properties owned by the Corporation	1,661	1,665	1,638	1,589	1,409	20,831
Total		\$ 138,657	\$ 81,844	\$ 73,614	\$ 65,300	\$ 52,831	\$ 108,496

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

18. Contingencies

a) Letters of Credit

As at March 31, 2021, the Commission was contingently liable with respect to letters of credit totalling \$11,581,234(2020: \$11,172,679) for municipal development cost charges.

b) Legal Claims

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2021, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

19. Financial Instrument Risks

The Commission, through its financial assets and liabilities, is exposed to credit risk, interest rate risk, market risk and liquidity risk. The following analysis provides a measurement of those risks at March 31, 2021:

a) Credit Risk

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

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

Notes to the Financial Statements

March 31, 2021

b) Interest Rate Risk

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

c) Market Risk

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

d) Liquidity Risk

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

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

2021

Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Construction loans to housing projects	\$ 769,558	\$ 169,610	\$ -	\$ 939,168
Mortgages and loans receivable	1,869	5,692	26,702	34,263
Total	\$ 771,427	\$ 175,302	\$ 26,702	\$ 973,431

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Society funds held on deposit	\$ 2,537	\$ 6,386	\$ 13,987	\$ 22,910

2020

Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Construction loans to housing projects	\$ 521,546	\$ 73,620	\$ -	\$ 595,166
Mortgages and loans receivable	6,155	4,188	31,901	42,244
Total	\$ 527,701	\$ 77,808	\$ 31,901	\$ 637,410

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Society funds held on deposit	\$ 1,922	\$ 5,416	\$ 12,551	\$ 19,889

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2021

e) Foreign Exchange Risk or Other Price Risk

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

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

The impact of COVID-19 in British Columbia began in January 2020 and a provincial state of emergency was announced March 19, 2020. During the financial statement period, the Commission provided additional supports to non-profit housing providers, low-income households and vulnerable individuals during the pandemic. This included relocating people from tented parks into safe and stable accommodation, making new shelter and self-isolation spaces available for people experiencing homelessness, and providing tenants in non-profit and directly managed buildings with meals, personal protective equipment, and cleaning supplies; these supports totaled \$293,743,000 which includes \$122,443,000 provided by the Commission to the Corporation to fund the purchase of six hotels as part of the relocation of people from tented parks into indoor accommodation. As well, the Commission developed the BC Temporary Rental Supplement program which provided renters who were impacted by COVID-19 with temporary support towards rent payments from April 2020 to August 2020; the total cost of the Temporary Rental Supplement program was \$130,539,000. In total, the Commission spent \$424,282,000 as part of its response to COVID-19 and \$413,302,000 was funded by the province.

Provincial Rental Housing Corporation

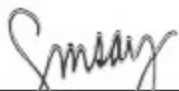
Statement of Management Responsibility

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 21, 2021. The financial statements have also been reviewed and approved by the Board of Directors.

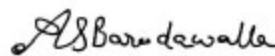
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel 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 and the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. The Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

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



Shayne Ramsay
President



Abbas Barodawalla
Director



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements of Provincial Rental Housing Corporation (the Corporation) as at March 31, 2021 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net debt for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Emphasis of matter - basis of accounting

We draw attention to note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 13 to the financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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

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



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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia


May 21, 2021

Provincial Rental Housing Corporation
Statement of Financial Position

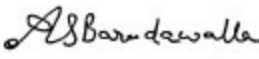
	March 31 2021 (\$000's)	March 31 2020 (\$000's)
Financial assets		
Cash	\$ 1	\$ 2
Debenture subsidy receivable	839	839
Long-term receivables (Note 3)	<u>238,615</u>	<u>238,465</u>
	<u>239,455</u>	<u>239,306</u>
Liabilities		
Interest payable	231	268
Deferred capital contributions (Note 4)	1,209,582	980,775
Due to (from) BC Housing Management Commission (Note 8)	47,118	(11,941)
Unearned lease revenue	30,836	31,766
Site contamination (Note 5)	6,396	6,825
Long-term debt (Note 7)	<u>220,808</u>	<u>217,429</u>
	<u>1,514,971</u>	<u>1,225,122</u>
Net debt	<u>(1,275,516)</u>	<u>(985,816)</u>
Non-financial assets (Note 8)		
Housing and projects under construction	2,461,365	1,996,241
Riverview Lands redevelopment	<u>52,553</u>	<u>50,023</u>
	<u>2,513,918</u>	<u>2,046,264</u>
Accumulated surplus	<u>\$ 1,238,402</u>	<u>\$ 1,060,448</u>

Commitments (Note 11)
Impact of 2019 Coronavirus Disease (COVID-19) (Note 15)

On behalf of the Board of Directors:



Shayne Ramsay, President



Abbas Barodawalla, Director

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statement of Operations

Year Ended March 31	2021 (\$000's)	2020 (\$000's)
Revenue		
Provincial subsidy	\$ 30,544	\$ 30,008
Contribution revenue	246,720	79,845
Lease revenue	931	1,073
Interest income	4,179	5,091
	<u>282,374</u>	<u>116,015</u>
Expenses		
Depreciation	77,652	75,913
Interest on long-term debt	10,320	10,695
Social housing grant and subsidy	-	18
Loss from disposition of properties (Note 9)	11,875	854
Group home and self insurance claims	4,573	5,195
	<u>104,420</u>	<u>92,675</u>
Annual surplus from operations	<u>177,954</u>	<u>23,340</u>
Accumulated surplus from operations at beginning of year	<u>1,060,448</u>	<u>1,037,108</u>
Accumulated surplus from operations at end of year	<u>\$ 1,238,402</u>	<u>\$ 1,080,448</u>

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statement of Changes in Net Debt

Year Ended March 31	2021 (\$000's)	2020 (\$000's)
Annual surplus	\$ 177,954	\$ 23,340
Additions of tangible capital assets	(566,172)	(338,880)
Depreciation of tangible capital assets	77,652	75,913
Disposal of tangible capital assets	23,396	13,198
	<u>(465,124)</u>	<u>(247,769)</u>
Riverview Lands redevelopment	<u>(2,530)</u>	<u>(12,206)</u>
Changes in net debt for the year	(289,700)	(236,635)
Net debt, beginning of year	<u>(985,816)</u>	<u>(749,181)</u>
Net debt, end of year	<u>\$ (1,275,516)</u>	<u>\$ (985,816)</u>

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Statement of Cash Flows

Year Ended March 31	2021 (\$000's)	2020 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 177,954	\$ 23,340
Adjustments to determine cash flows:		
Depreciation of tangible capital assets	77,652	75,913
Amortization of deferred contributions	(67,639)	(57,125)
Loss on sale of property	11,875	854
Little Mountain Interest adjustment	(4,179)	(5,091)
Amortization of unearned lease revenue	(930)	(1,064)
Changes in non-cash working capital (Note 10)	59,022	101,898
	253,755	138,725
Capital transactions		
Property additions	(566,172)	(336,880)
Proceeds on sale of property	15,551	12,344
Riverview Lands redevelopment	(2,530)	(12,206)
	(553,151)	(336,742)
Financing transactions		
Deferred capital contributions received	296,446	187,470
New long-term debt financing	21,538	14,824
Site contamination	(429)	(36)
New Long term lease prepayment	-	2,704
Proceeds on long- term Receivable	-	10,199
Long-term debt repayment	(18,159)	(17,143)
	299,396	198,018
Increase in cash	-	1
Cash, beginning of year	1	1
Cash, end of year	\$ 1	\$ 2

See accompanying notes to the financial statements

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

1. General

The Provincial Rental Housing Corporation (the Corporation) was incorporated under the *Company Act* of the Province of British Columbia in 1981. The Corporation is wholly owned by the Province and is an agent of the Crown. The Corporation is exempt from federal and provincial income taxes.

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

2. Significant Accounting Policies

a) Basis of Presentation

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

b) Use of Estimates

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

c) Revenue Recognition

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

d) Deferred Contributions

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

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

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

e) Tangible Capital Assets

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

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

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

ii. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. The write-down of tangible capital assets is accounted for in the statement of operations. Write-downs are not subsequently reversed.

f) Capitalization of Public-Private Partnership Projects

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

g) Riverview Lands Redevelopment

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

h) Property Leases

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

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

i) Financial Instruments

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

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

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

j) Future accounting standards:

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

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

PS 3280 applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of adoption of PS 3280 on the financial statements of the Corporation.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

3. Long-term Receivables

The Corporation completed the sale of Little Mountain property on July 2, 2013, for proceeds of \$333.98 million. The purchaser is required to provide the Corporation with 234 non-market housing units and to pay the balance of the purchase price based on the proportion of the site developed in phases over time. The current receivable is adjusted based on the updated cash flow forecast and it is equal to the net present value of the remaining expected future payments and the fair value of the 181 social housing units not constructed, discounted at 3.08 per cent.

	Little Mountain (\$000's)	
March 31, 2020 Balance	\$	238,466
Principal adjustment		(4,030)
Interest Adjustment		4,179
March 31, 2021 Balance	\$	238,615

4. Deferred Capital Contributions

	2021 (\$000's)		2020 (\$000's)	
Balance, beginning of year	\$	980,775	\$	850,430
Receipts		296,446		187,470
Amortization		(67,639)		(57,125)
Balance, end of year	\$	1,209,582	\$	980,775

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

5. Site Contamination

The Ministry of Citizens' Services (formerly the Ministry of Technology, Innovation and Citizens' Services) and the Ministry of Health transferred \$7.4 million to the Corporation in Feb 2015 for remediation of contaminated sites at the Riverview Lands project site. As of March 31, 2021, the total liability is \$6.40 million (2020: \$6.83 million). The Corporation reviews the contamination and cost of remediation over the life of the projects and adjust the liability as information available. As at March 31, 2021, the liability amount is enough to cover the present value of remediation costs required, any portion of the amount transferred that proves to exceed the actual amount required will be repayable by the Corporation to the Ministry of Citizens' Services.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

6. Related Party Transactions

a) BC Government Reporting Entities

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

b) British Columbia Management Housing Commission (the Commission)

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

During the year, the Corporation provided \$5,825,000 (2020: \$1,533,000) to the Commission for services performed by the Commission on behalf of the Corporation and the Commission provided \$500,297,000 (2020: \$239,496,000) to the Corporation for capital grants, self-insurance, debenture and mortgage subsidies, etc. As at March 31, 2021, amounts due to the Commission totalled \$47,118,000 (2020: Due from the Commission \$11,941,000) and represent funds received from the Commission for the acquisition and development of properties under social housing programs. These funds are non-interest bearing with no set terms of repayment.

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

i. Directly Managed Debenture Subsidy

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

ii. Group Home Mortgage Subsidy

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

iii. Administration and Financing

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

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

7. Long-Term Debt

	2021	2020
	(\$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 2029, with a weighted average rate of 7.91% (2020: 7.86%) and secured by unregistered first mortgages on properties of the Corporation.	\$ 26,745	\$ 32,085
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with a weighted average rate of 2.40% (2020: 2.72%), secured by registered first mortgages on properties of the Corporation.	127,568	114,180
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.	66,495	71,164
	\$ 220,808	\$ 217,429

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

	(\$000's)
2022	\$ 32,898
2023	27,536
2024	23,647
2025	47,028
2026	19,920
Thereafter	69,779
	\$ 220,808

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

8. Non-Financial Assets

a) Housing and projects under construction

Cost	2020 (\$000's)			2021 (\$000's)
	Beginning	Additions	Disposals	Ending
Land	\$ 540,985	\$ 179,935	\$ (4,882)	\$ 716,038
Buildings	1,801,047	294,185	(21,859)	2,073,373
Construction in progress	194,880	92,052	(3,110)	283,802
	\$ 2,536,892	\$ 566,172	\$ (29,851)	\$ 3,073,213

Depreciation	Beginning Accumulated	Annual Expense	Disposals Adjustments	Ending Accumulated
Buildings	\$ 540,651	\$ 77,652	\$ (6,455)	\$ 611,848

Net Book Value	Beginning	Ending
Land	\$ 540,985	\$ 716,038
Buildings	1,260,396	1,461,525
Construction in progress	194,880	283,802
	\$ 1,996,241	\$ 2,461,365

b) Riverview Lands redevelopment

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

	2020 (\$000's)			2021 (\$000's)
	Beginning	Expenditures	Revenue	Ending
Construction	\$ 43,943	\$ 311	\$ -	\$ 44,254
Net operating	6,080	6,225	(4,006)	8,299
	\$ 50,023	\$ 6,536	\$ (4,006)	\$ 52,553

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

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

9. Loss from Disposition of Properties

	2021 (\$000's)	2020 (\$000's)
Property present value adjustment (Note 3)	\$ 4,030	\$ -
Modular units write off due to mold issue	2,969	-
Modular building dismantle and modular units demolition	4,513	-
Building demolition	1,023	550
Sale of properties	(660)	304
Total	\$ 11,875	\$ 854

10. Changes in Non-cash Working Capital

	2021 (\$000's)	2020 (\$000's)
Loans receivable	\$ -	\$ 18
Interest payable	(37)	(34)
Due from BC Housing Management Commission	59,059	101,914
Total	\$ 59,022	\$ 101,898

11. Commitments

a) Public-Private Partnership Commitments

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

As construction progressed, the asset values were recorded as tangible capital assets (see Note 8) and the obligation was recorded as a liability and included in long-term debt (see Note 7). Upon construction completion, the obligation is met through the capital component of the monthly service payments over the term of the Project Agreement that is paid directly by the Commission.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

	Capital (\$000's)	Facility Maintenance and Lifecycle (\$000's)	Total Payments (\$000's)
2022	9,461	2,228	\$ 11,689
2023	9,461	2,165	11,626
2024	9,461	3,292	12,753
2025	9,461	2,031	11,492
2026	9,461	2,040	11,501
Thereafter	45,725	9,711	55,436
Total	\$ 93,030	\$ 21,467	\$ 114,497

b) Contractual Obligation – Property Acquisition

As at March 31, 2021, there are 12 purchase and sale agreements that the Corporation has signed are pending to complete with total value of \$154,160,000. All these transactions will be completed in the year 2021-2022.

c) Contractual Obligations- Construction

The Corporation entered construction contracts to build or renovate affordable housing units. As at March 31, 2021, total outstanding construction contracts value was \$158,000,000. All contracts are expected to be completed within next 2 years. As construction progresses, the asset values are recorded as work in progress (WIP). Upon construction completion, WIP will be transferred to capital assets and start depreciation.

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, 2021:

a) Credit Risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of the funds due from BC Housing Management Commission (see Note 6) and long-term receivables (see Note 3).

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

b) Interest Rate Risk

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

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

c) Liquidity Risk

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

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

2021				
Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term receivables	\$ -	\$ 205,896	\$ 37,818	\$ 243,714
Total	\$ -	\$ 205,896	\$ 37,818	\$ 243,714

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term debt	\$ 32,898	\$ 118,131	\$ 69,779	\$ 220,808

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

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Long-term debt	\$ 37,833	\$ 116,954	\$ 62,842	\$ 217,429

d) Foreign Exchange Risk or Other Price Risk

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

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.

Provincial Rental Housing Corporation

Notes to the Financial Statements

March 31, 2021

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

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

- a) For the year ended March 31, 2020, an increase to annual surplus of \$147,600,000; and,
- b) At March 31, 2020, an increase to accumulated surplus and a decrease to contributions of \$956,219,000.
- c) For the year ended March 31, 2021, an increase to annual surplus of \$220,720,000; and,
- d) At March 31, 2021, an increase to accumulated surplus and a decrease to contributions of \$1,176,938,000.

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

The impact of COVID-19 in British Columbia began in January 2020 and a provincial state of emergency was announced March 19, 2020. During the financial statement period the Commission provided \$122,443,000 to the Corporation to purchase six hotels in Vancouver and Victoria as part of the relocation of people from tented parts into safe and stable accommodation.